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ABSTRACT

Policies to regulate and support labor markets in the United States have mainly been an initiative of the federal government. Historically, states and localities were reluctant to act independently to build up worker rights and protections for fear of competitively disadvantaging resident industries with added costs. Federal constitutional authority to raise revenue and control commerce among the states governed development of labor market policy in the United States. Labor market support initiatives usually have been forged in difficult economic times with contributions and compromise from the full political spectrum. Employment policy in the 20th century has included the interplay of federal, state, and local partners to create unemployment insurance, training, youth programs, and employment services. Government policy influences the geographic mobility of labor, while intergovernmental relations in labor market policy have resulted in a system that performs a wide variety of functions, varies greatly at the local and state levels, but maintains important federal standards nationwide. (Contains 73 references and 7 tables.) (Author/KC)

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FOR EMPLOYMENT RESEARCH

Intergovernmental Relations and Employment Policy

The United States Experience

Christopher J. O'Leary
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Intergovernmental Relations in Employment Policy: The United States Experience

February 2000

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Intergovernmental Relations in Employment Policy:

The United States Experience

Abstract

Policies to regulate and support labor markets in the United States have mainly been an initiative of the federal government. Historically, states and localities were reluctant to act independently to build up worker rights and protections for fear of competitively disadvantaging resident industries with added costs. Federal constitutional authority to raise revenue and control commerce among the states governed development of labor market policy in the United States. Labor market support initiatives usually have been forged in difficult economic times with contributions and compromise from the full political spectrum. This paper examines the development of employment policy in the twentieth century by viewing the interplay of federal, state, and local partners. The programs considered include unemployment insurance, training, youth programs, and the employment service. Some attention is also given to governmental policy that influences the geographic mobility of labor. Intergovernmental relations in labor market policy have resulted in a system that performs a wide variety of functions, varies greatly at the local and state levels, but maintains important federal standards nationwide.

Intergovernmental Relations in Employment Policy: The United States Experience

Christopher J. O'Leary and Robert A. Straits
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I. Introduction

Policies to regulate and support labor markets in the United States have mainly been an initiative of the federal government. Historically, states and localities were reluctant to act independently to build up worker rights and protections, for fear of competitively disadvantaging resident industries with added costs. Federal leadership has permitted states to address important labor market issues with a diminished risk of job loss to competing states. Furthermore, in many cases federal law permits states to establish practices that adapt to the economic and cultural conditions of the region. The interplay of federal, state, and local partners in labor market policy has resulted in a system that varies greatly at the local and state level, but maintains important federal standards nationwide.

Federal constitutional authority to raise revenue and control commerce among the states governed development of labor market policy in the United States. The history of this process is mainly a

twentieth-century story.[1] The rights of workers to organize, conditions of employment, and policies to address unemployment are concerns of an industrial society where the majority of people live in cities separated from the subsistence naturally provided by the land in agrarian cultures.[2]

Trade unions, with origins in workingmen's associations, and later industrial unions were born in tandem with the rise of the factory system during the nineteenth century. Until after the end of the nineteenth century, custom and power determined working arrangements in states and local areas. Union strength grew during harsh conditions following bank panics in the 1830s and unions

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[1]Seventeenth-century labor shortages were first addressed by indentured servitude of poor Europeans in exchange for transportation costs (Faulkner and Starr; 1957, pp. 22-24). Agreements sometimes included a headright that promised acreage upon completion of the contract and oftentimes apprenticeship. Bad experience with indentured servants led to a rise in use of enslaved Africans. The practice of slavery was legally abolished by the presidential Emancipation Proclamation in 1863. Enforcement required the Civil War in 1861-1865. Transition to regular non-indentured employment often included periods of share-cropping by African Americans on southern plantations. Some labor market issues related to race were not fully addressed until the XIII, XIV, and XV amendments to the Constitution became effective in 1865, 1868 and 1870 respectively, and the Civil Rights Act of 1964 was passed. The nineteenth- century witnessed the rise of trade and industrial labor unions and establishment of a large number of public institutions for higher education on land granted by the federal government to many of the states (Morill Act of 1862).

[2]In 1870, farm work was the main employment for 53 percent of the labor force. By 1900 that percentage had dropped to 37.5. It further declined to 21.4 percent by 1930, to 8.3 percent by 1960, and to 2.7 percent by 1990. (Tostlebe, 1957; Jacobs, 1998)

emerged by the end of the century as general advocates for improved wages and working conditions. Prior to the great economic depression of the 1930s, federal legislation about work- place issues focused mainly on rights to organize unions and collectively bargain about wages and conditions of work.

Some state and local courts used the federal Sherman Anti-trust Act of 1890 to stop union activity in "restraint of trade." The Clayton Act of 1914 expressly excluded union activity as a violation.[3] The 1932 Norris-LaGuardia Act further restricted judiciary power to prevent unions from engaging in strikes, picketing and boycotts. The Wagner Act of 1935, also known as the National Labor Relations Act, further extended the privileges of unions and created the National Labor Relations Board (NLRB) to administer and enforce provisions of the Act. The Taft-Hartley Act of 1947, also called the Labor Management Relations Act (LMRA), refined the collective bargaining environment by somewhat limiting union rights and guaranteeing certain freedoms of speech and conduct to employers and to non-union employees.[4]

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[3]Alchian and Allen (1972, p. 431).

[4]Jackson (1986, pp. 4-5). An excellent narrative about the legal context of union rights is given by Levitan, Carlson, and Shapiro (1986, pp. 131-152).

Federal laws concerning hours and wages were first enacted in 1892 and 1913.[5] These applied only to federal public works projects, but established the eight-hour day and overtime pay at the rate of one-and-one-half times the basic rate as basic principles. Three later federal laws established more general minimum standards for wages, overtime pay, and equal pay for equal work.[6] Many states passed their own versions of these laws. "Under principles established in the U.S. Constitution, states may pass laws that are stricter, but not less stringent, than the federal apparatus."[7] The state laws were upheld by the courts and the federal laws were found constitutional because of Congress' right to regulate interstate commerce.

Another series of federal laws established "prevailing wage rate" laws requiring standards for wages and employment by establishments receiving federal government contracts or grants.[8] This same federal lever was used in the 1990s to prohibit illegal drug

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[5]Kalet (1987, pp. 1-12) documents the development and application of wage and hour laws in the United States.

[6]The Fair Labor Standards Act of 1938, the Portal-to-Portal Pay Act of 1947, and the Equal Pay Act of 1963.

[7]Kalet (1987, p. 2).

[8] Walsh-Healy Public Contracts Act of 1936, McNamara-O'Hara Service Contract Act of 1965, Davis-Bacon Act of 1931, and Contract Work Hours and Safety Standards Act of 1962.

use from the work-place and to permit drug testing of employees. More recent federal laws have been directed at protecting specific classes of individuals through employer practices involving payroll deductions.[9]

Just as the union movement gained strength during the economic depression following the 1830s bank panics, programs to address unemployment had their roots in periods of economic malaise. The Wagner-Peyser Act of 1933, which established the U.S. Employment Service, and the Social Security Act of 1935, which established the federal-state system of unemployment insurance, both passed during the great economic depression that followed the 1929 stock market crash. The Employment Act of 1946, which came on the heels of World War II and was prompted by fears that recession would follow the war time expansion, enunciated a federal government policy to "promote maximum employment, production and purchasing power."[10] Public job training programs for dislocated workers began with the 1962 Manpower Development Training Act, which followed the economic stagnation of the 1950s.

The focus of this chapter is intergovernmental relations regarding employment policies directly intended to address problems

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[9]Consumer Credit Protection Act of 1968 and Child Support Enforcement Act of 1984.

[10]Samuelson (1973, p. 354).

of unemployment in the United States during the twentieth century. The main policies examined concern unemployment compensation, job skill retraining, youth employment promotion, and public employment exchange services. Attention is also given to issues of employing the economically disadvantaged, also known as welfare-to-work, and conditions for occupational mobility within the country. We examine these policies with an eye toward understanding how the institutional, political, and economic context of their evolution has influenced the effectiveness of their operation.

II. The Institutional and Political Context of Employment Policy

Government action to promote employment has always been initiated in times of crisis. The federal-state unemployment insurance program was conceived in the widespread hardship experienced from job loss during the 1930s. Federal training policy also had its origin in depression era New Deal programs for public works, and was reborn many years later in post-war recessions of the 1950s. Youth employment policy began during the First World War and saw change during crisis periods throughout the twentieth century.

The debate over employment policy approaches among federal policymakers involves the President or chief of the executive branch of government, and Congress, which is the legislative branch.

The federal legislature is bicameral. It is made up of the House of Representatives and the Senate. The third branch of federal government, the courts, also occasionally intervene. Virtually all elected and appointed federal officials in these three branches of government are members of either the more liberal Democratic party or the more conservative Republican party. Democrats maintain that government has a responsibility to assist individuals who cannot support themselves, asserting that government assistance is an entitlement. Republicans contend that public assistance obliges the recipient to work, in exchange for government support.

Proposed federal legislation is introduced in the Congress as a bill, and becomes law only after debate, refinement, and approval by both houses of Congress and signature by the president. Federal courts may later rule on the constitutionality of laws. Program funding can be authorized only by the House of Representatives. Legislation can move through the system quickly if there is either bipartisan support, or if one party holds majorities in both the House and Senate and holds the office of President. Interestingly, laws regarding social and economic policy have always benefitted from bipartisan input even during the few times that one political party controlled both the legislative and executive branches of federal government.

While political pundits may view employment policy of the twentieth century as a story of lost battles on both political sides,

moderates would see the resulting legislation as a rich blend of policies that address competing objectives. A key element in most compromise federal employment laws is provisions for *program evaluation* to identify if programs are sufficiently cost effective. Nonetheless, employment program administrators would probably view the buffeting from frequent changes over the years as an unfortunate distraction resulting from the political process.

The national government is actually a confederation of 50 states, the federal District of Columbia, the Commonwealth of Puerto Rico, and a number of territories and protectorates. Authority is reserved to these sub-national administrative divisions for all things not controlled by the federal government. States have governmental systems with three branches and the same inherent checks and balances as the federal government. Sub-state divisions called counties contain cities, towns, and villages. The federal government pursues employment policy through its authority to levy taxes and to regulate interstate and international commerce. The federal power to raise revenue by taxes provides the means for financing public projects. When financial grants are given by the federal government to sub-national governmental agencies or others subject to stipulated requirements, federal influence is wielded through the "power of the purse."

III. The Economic Context of Employment Policy

To set the economic context for employment policy, this section presents data describing the labor market and employment program use in the United States during the last half of the twentieth century. For 1997, which is the most recent year for which data are available, information is given for the whole country and for each individual state. National data is also given for each of the 50 preceding years.

Table 1 presents data on unemployment, labor force participation, and the size of the civilian labor force in 1997 for the nation and the states. Table 2 gives data on the same variables for the nation in each year dating back to 1947.

For 1997, the national average unemployment rate stood at 4.9 percent. This is well below the level generally believed by economists in the 1980s to be consistent with price stability.[11] It is also a surprising turn of events for economists who had accepted high unemployment rates during business cycle peaks as inevitable.[12] Furthermore, unemployment dipped to 4.5 percent in 1998 and the

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[11]See, for example, the papers in Layard and Calmfors (1987).

[12]Summers (1986) emphasized that dislocated adult married male workers suffered as greatly as any group and despaired at the lack of macro policy tools available to address the situation because of huge federal budget deficits and persistent threats of inflation.

aggregate price level remained virtually unchanged. While unemployment was higher in places like Alaska, West Virginia, and the District of Columbia, the job market in most of the country was exceptionally strong. From Table 2 it can be seen that it has been 25 years or more since such rates of unemployment have been experienced in the United States. Such thriving job markets make for a politically opportune time for attempts at moving public assistance recipients into regular work.

Special programs for employment assistance in the United States are targeted to minorities, youth, and dislocated workers--who are long-term unemployed or lack skills demanded in their local labor market. In Tables 1 and 2, it can be seen that unemployment rates for blacks and youth are always higher, both across states and over time, than for the labor force as a whole. A disturbing phenomenon is the comparatively slow rate of unemployment decline for these groups in recent years while the general labor market has improved. Fairlie and Sundstrom (1999) find that there has actually been a recent widening of the racial unemployment gap.

Another disappointing phenomenon is that the recent expansion has witnessed a larger proportion of the unemployed who are out of work long-term than at peaks of earlier business expansions. By 1998, 14.1 percent of the unemployed were long-term (27 weeks or more), although the long-term share of unemployment had dipped to 9.9 percent in 1989 and to 8.87 percent

in 1979. It appears that with a lower overall rate of unemployment, the remaining unemployed job seekers are more difficult to reemploy. Within states, there is however a direct relationship between the rate of unemployment and the proportion out of work long-term.

The overall labor force participation rate in the United States is now at a post-World War II high of 67.1 percent of the non-institutional civilian population. The female rate is near a historic peak, while the male labor force participation rate has slowly declined over the past 50 years. All this has occurred during a period of dramatic growth in the civilian labor force, which has witnessed more than a doubling from 59.4 million in 1947 to 137.7 million in 1998.

The federal-state unemployment insurance (UI) system provides temporary partial wage replacement to involuntarily unemployed job seekers with significant labor force attachment. It is the primary mode of public income replacement for such persons. Table 3 presents data on four UI features: benefit amounts, replacement rates, duration rates, recipiency in 1997 for the nation and the states. This table also provides information on public assistance receipt, the extent of poverty, and union density. Table 4 gives data on the same variables for the nation in each year dating back to 1947. The maximum potential duration of UI benefits is

nearly uniform across states at 26 weeks.[13] Most state laws approximate 50 percent wage replacement between the minimum and maximum weekly benefit amount. UI is social insurance. It aims to prevent descent into poverty, not to insure all wage loss, resulting in the gross aggregate wage replacement rate of around one-third.[14] There has been a long-term decline in the proportion of the eligible unemployed who actually draw UI benefits. This has become a prime policy concern. In recent years, significant attention has been focused on reasons for the decline in UI recipiency.[15]

In 1997 UI provided an average of $193 per week for an average of 14.6 weeks out of work. The weekly benefit replaced 33.5 percent of lost wages, and was available for an average of up to 23.9 weeks. Only 34.5 percent of all unemployed persons received UI

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[13]Massachusetts and Washington offer up to 30 weeks. Tables 3 and 4 tabulate actual potential duration of beneficiaries, which often is less than the maximum depending on prior work experience.

[14]O'Leary (1998) examines in detail the gross aggregate and other measures of wage replacement. The finding of Jacobson, LaLonde, and Sullivan (1993) that dislocated workers experience substantial declines (20 to 40 percent) in reemployment earnings vis-a-vis prior earnings suggests that UI benefits replace a much larger share of potential reemployment earnings.

[15]Burtless (1983) cited a variety of reasons for the decline including a broadening of UI coverage, tightened eligibility requirements, imposition of taxation of UI benefits, and high implicit taxes on other sources of income such as pensions. Bassi and McMurrer (1998) and Vroman have disputed whether or not the decline in recipiency is also a result of interstate competition for business location and retention which some label a "race to the bottom."

benefits in 1997. Average weekly benefits ranged from $134 in Louisiana to $269 in Hawaii.

Over the past decade, the proportion of the population receiving public assistance not linked to labor force participation has remained relatively stable, fluctuating between 6.2 and 7.8 percent. Recent welfare reforms including welfare-to-work programs are expected to continue the recent downward trend in caseloads fostered by the booming U.S. economy of the late 1990s. Simultaneously there has been a modest decline in the proportion of the population living below the poverty line. Over a longer time frame, the poverty rate has fallen from 22.4 percent in 1957 to 13.3 percent of the non-institutional population in 1997.

Important in understanding the labor market context of employment policy is to know something about union density; that is, the proportion of wage and salary workers who are union members. From 1973 to 1997, union density has fallen from 24 to 14.1 percent of the labor force. There is some evidence that the steady decline is gradually reversing during the current economic expansion, yet dramatic declines are undeniable. Over this period Freeman (1989) found the largest declines to be in manufacturing (-13 percent), construction (-16 percent), transportation-communication-utilities (-15 percent), and mining (-17 percent). Union density remained low but relatively stable in service and trade industries.

To put into perspective the importance of employment policy in the United States economy, Table 4 lists UI benefit payments, and total spending on labor market policy (including UI) as proportions of gross domestic product (GDP) for the country. Only in one year, 1975, did spending on UI exceed 1 percent of GDP. In that year, three successive grants of extended UI benefits resulted in eligibility of up to 65 weeks for many claimants.[16] Spending on UI is typically in the range of one-third to one-half of one percent of GDP. Naturally the share is higher in recessions and lower in years of expanding employment. Spending on employment programs other than UI tends to average about one-tenth of one percent of GDP.[17]

IV. Employment Policy in Action

The prior sections provided some background on the institutional, political, and economic context of intergovernmental arrangements for addressing the problem of unemployment; this section examines programs for unemployment compensation, job

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[16]See Woodbury and Rubin (1997) for details.

[17]Employment policy spending as a percent of GDP is quite modest in the United States compared to other Organization for Economic Cooperation and Development (OECD) member countries. Among 22 OECD countries in 1992, only Japan had a lower share of GDP devoted to employment policy. In 1992 the Japanese unemployment rate was about one-quarter the rate in the U.S. Nearly all other OECD countries spent 2 percent or more of GDP on employment policy. (OECD, 1994, p. 101)

skill retraining, and youth employment promotion. The discussion of unemployment compensation is somewhat longer than the treatment given other programs. This is because the difficulties encountered and solutions found in shaping the federal-state UI system largely established the pattern for intergovernmental relations in employment policy. In the part on retraining, some attention is given to issues of employing the economically disadvantaged, now known as welfare-to-work. Conditions for occupational mobility within the country are also examined. Our aim is to elucidate how the intergovernmental and economic context of program evolution has influenced the nature and effectiveness of service delivery.

Unemployment Compensation

The federal-state system of unemployment insurance (UI) was established in the United States by the Social Security Act of 1935. Title III of the Act established federal grants to the states to perform administrative functions for UI, and Title IX established the federal unemployment tax and related provisions.[18] The tax provisions established incentive conditions that showed federal genius for initiating the system among states with varying degrees of unemployment and concern about worker hardship. While principles

[18]Blaustein (1993, pp. 151-153).

for the financing of benefits are now widely accepted, the financing of administration remains an area of federal-state contention in UI policy.

The UI system was a key element of President Franklin D. Roosevelt's social policy initiative entitled the New Deal that aimed to lift the country out of the Great Depression. The federal-state UI system has five main goals: (1) to provide temporary partial wage replacement during involuntary unemployment, (2) to prevent dispersal of employers' workforce, (3) to promote rapid return to work, (4) to limit business downturns by maintaining aggregate purchasing power, and (5) to encourage stabilization of employment in enterprises through experience rating.

Prior to the Social Security Act, there were several attempts to establish a single federal system for unemployment compensation.[19] In 1932, Wisconsin enacted the first state UI law. In 1934, president Roosevelt appointed the Committee on Economic Security to study how best to establish an unemployment compensation system.[20] Ultimately the Committee recommended a federal-state system for UI. The recommendation was probably influenced by the knowledge that President Roosevelt favored such a system. Furthermore, the Great Depression lead many to believe

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[19]A history of the process is given by Blaustein (1993, pp. 107-129).

[20]Much of this material is drawn from West and Hildebrand (1997).

that unemployment is due to national rather than local economic events. However, Congress did not wish to usurp all state authority on such matters and feared that the courts might find a wholly federal system be unconstitutional.

The federal-state UI system represented an entirely new model for intergovernmental relations. It was not a federal system like the old age insurance provisions of the Social Security Act. Neither was it a system of federal grants to the states like public assistance matching grants. A clever incentive structure was established to create the system. A uniform federal tax was imposed on payrolls, but a 90 percent credit of this tax was granted in states operating approved UI programs.

Currently the federal unemployment tax is 6 percent on the first $7,000 paid to each worker each year. If a state does not have an outstanding debt to the federal unemployment account, if state UI law conforms with federal law, and if an individual employer has paid the state UI taxes on time, then a 90 percent credit of the federal tax is given to the employer, leaving a federal UI tax rate of 0.6 percent. Currently there is also a 0.2 percent federal surtax, which brings the federal unemployment tax paid by employers to the U.S. Treasury up to 0.8 percent on the first $7,000 paid to each worker in a year. Federal law also requires the maximum state UI tax rate to be at least 5.4 percent on the first $7,000 in earnings per year. Credits that lower the state contribution rate may be given to employers if done

through a state experience rating system for UI taxes that has been approved by the U.S. Department of Labor. The maximum UI tax rate in many states is 5.4 percent, but it is higher in most states.

Money not rebated by the federal government is used to finance program administration through grants to the states and to make loans to the states when liquidity problems arise in paying benefits. The conformity requirements originally set in the Social Security Act of 1935 addressed only rules for administration and coverage. Penalties to states for failure to conform with federal law may result in withholding state administration funds and/or denial of the 90 tax credit to employers.[21]

Legal challenges to state and federal UI laws were filed right after taxes became payable by employers on January 1, 1936.[22] The United States Supreme Court on May 24, 1937, found federal law to be constitutional. The high court ruled that (1) states enacting conforming UI laws reaped a federal tax advantage for employers, and (2) states did not act under duress, but were free to choose this

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[21]Failure to conform or comply with the Federal Unemployment Tax Act (FUTA) provisions means state employers lose tax offset credits, and the state will not receive an administrative grant. Failure to conform or comply with Social Security Act provisions means the state will not receive an administrative grant.

[22]Further detail is given by Blaustein (1993, pp. 157-158) and Rosbrow (1986, pp. 7-8).

advantage. The court opinion also cited general hardship during the great depression and a need to respond since 1929; furthermore, the court cited the states' reluctance to competitively disadvantage state employers. Many political observers at the time asserted that such a ruling was only possible because of democratic party appointments to the court made by President Roosevelt.

The existing federal-state UI system is a delicate balance of power that is self-regulated to a great extent by a built-in incentive structure.[23] Each side of the system has many faces. The federal partner includes the U.S. Congress, the federal executive branch that includes the U.S. Department of Labor (its national and regional offices) and the Office of Management and Budget, and the federal courts. The state partner includes 50 states, the federal district (DC), 2 territories (Puerto Rico and Virgin Islands), the state legislatures, many state UI advisory councils, business and labor organizations, state courts, and state UI agencies with local offices.

As during initiation of the system, the federal partner continues to hold the upper hand in the relationship. Key to regulating the system are federal requirements for conformity and

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[23]Institutional relations are explained by West and Hildebrand (1997) and Rubin (1983), while the incentive structure is described by Burgess and Kingston (1987).

compliance.[24] That is, state UI laws must conform with federal law, and actual state practice must comply with federal law. The Social Security Act of 1935 provided 12 minimal requirements; two requirements were added about the use of UI granted funds during the early 1940s; new federal laws in the 1950s required coverage to be broadened; and in 1970 and 1976, many new requirements were added.[25] In recent years, an overriding federal concern has been controlling federal spending, consequently changes to the UI system have often been done as part of the budget reconciliation process, because the federal Unemployment Trust Fund (UTF) is treated as part of the federal budget.

A chronology of conformity requirements is given in Table 5. The original requirements regarded prompt payment of benefits, location of payments, appeals procedures, management of funds, reporting to the U.S. Department of Labor, and the requirement of experience rating as the basis for lowering contribution rates below the federal maximum. Requirements added in the 1940s and 1950s were included mainly to simplify procedures when interstate claims were involved. In more recent years, federal conformity requirements

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[24]This analysis was developed by West and Hildebrand (1997, pp. 593-596).

[25]In 1939 federal law moved UI tax provisions to the Federal Unemployment Tax Act as part of the federal Internal Revenue Service (IRS) code. A 1940 federal law required that pay rates for employees of state employment security departments be merit based.

have become somewhat more specific and questionable from the state perspective, governing things like the amount of reemployment required to qualify after a benefit denial, the non-payment of benefits to professional athletes in the off season, and rules for reducing benefits based on pension income. After 1969, when the UI trust fund was included in the federal unified budget, several requirements were added to conserve UI funds and improve the overall budget picture. A prime example of this action is the 1994 law that required profiling of claimants so as to make early referral to reemployment services for those most likely to exhaust UI benefits.[26]

Federal rules have become increasingly specific. In particular, new provisions permitting use of UI trust fund money to promote self-employment limits state discretion. Eleven new restrictions are required for this program alone. Interestingly, there have never been conformity requirements on basic matters like the level of the weekly benefit amount and the duration of benefits. However, the U.S. Department of Labor and federal advisory commissions have offered guidelines to states on these matters.[27] Recent years have seen increasing monitoring of compliance with federal guidelines for

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[26]See Eberts and O'Leary (1997) for a discussion of profiling in the United States and elsewhere.

[27]See O'Leary and Rubin (1997) about benefit levels and Woodbury and Rubin (1997) about benefit durations.

accuracy and timeliness of benefit payments, appeals, and tax contributions.[28]

Since originally ruling on the constitutionality of the federal-state UI system in 1937, judicial involvement in the system has been minimal. Two important cases bear mention. In the case of Java versus the California Department of Human Resources Development, the U.S. Supreme court in 1970 ruled a state may not suspend UI benefit payments during the process of an appeal of a benefit eligibility denial. This required nearly all states to change laws or administration to achieve conformity. In 1994, the seventh circuit U.S. Court of Appeals found for Pennington, who argued benefit eligibility should be strictly based on demonstrated attachment to the labor force and not necessarily on rules that are administratively simple to apply. Pennington would have been eligible for benefits were the most recent work quarters considered rather than the statutory "first 4 of the last 5 quarters." The Pennington ruling required states to consider an alternate, more recent, base year if the usual base year does not result in eligibility.

Federal-state relations in UI are tested on a regular basis through the required review by the U.S. Department of Labor of proposed state legislation. The relationship has also been greatly

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[28]UI Performs is the current system for such monitoring. An overview is provided by Skrable (1997).

affected in recent years by the federal budget implications of state actions. Battle lines in this regard have been clearest on the issue of administrative financing. Federal receipts from the states that are not returned to state trust fund accounts to pay benefits flow into the Employment Security Administration Account (ESAA). Money in the ESAA is used to make grants to the states to finance program administration, with some remaining money transferred to the Extended Unemployment Compensation Account (EUCA) to pay for the federal share of extended benefits.[29]

Federal grants to states for UI administration are done by a formula based on work load factors such as the number of UI claims, appeals, and covered employers. The formula also depends on the estimated time cost of serving claimants and salaries of office staff. The time cost estimates used are based on studies done in the 1970s, with updates only as recent as 1984. Since that time there have been many changes in practices and office technology within the states. The federal-state struggle over administrative funding has been one of the most regular features of the system in recent years. Driven by budget tightness, the federal government has tried to conserve funds, while the states have claimed that federal holdings for administration are state entitlements that should be distributed. Davidson and

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[29]Miller (1997, pp. 355-361) provides a clear and concise overview of funding flows. The currently 80 percent goes to ESAA, with the remaining 20 percent to EUCA.

Martin (1996) have viewed the standoff as a classic principal-agent problem. The federal partner is the principal seeking to administer a high quality UI program through its agents, the state employment security agencies. Davidson and Martin argue that to encourage high quality service, efficient low-cost administration, and continuous quality improvement, the administrative funding mechanism should (1) be based on the quality of service as measured through a simple monitoring system operated by the federal partner to assess state practice, and (2) permit states to retain unspent financial grants. Special administrative grants could also be made to states with high unemployment or low population density where administrative costs are higher because of these factors but not because of inefficiency. Such a system will also have the effect of encouraging UI tax payers to monitor administrative efficiency at the local and state level, so as to increase the share of administrative grants retained for other uses including benefit payments.

In recent years, federal-state conflict about the issue of fund solvency has been waning. The federal government holds 53 separate state unemployment trust fund accounts for payment of benefits. Federal guidelines recommended by the U.S. Department of Labor and federal advisory commissions on UI have advocated forward funding of benefits. That is, reserves in state unemployment trust fund accounts should be sufficient to pay benefits if unemployment were to rise dramatically. In recent years states have generally not

met the reserve adequacy standards, preferring instead to restrain tax rates and leave money in the hands of the private sector where jobs might be created. States have been content to rely on their possibility to borrow from the Federal Unemployment Account (FUA) to preserve sufficient liquidity for payment of UI benefits. Federal pressure for high reserve levels may have been motivated by budgetary considerations. Interestingly, recent recommendations from the independent Advisory Council on Unemployment Compensation (1995) called for relaxed forward funding targets for states. In fact, the U.S. Department of Labor has helped prepare new rules to be considered as part of federal legislation that encourage improved trust fund reserves with a reward to states of additional administrative financing grants.[30]

An area of excellent cooperation between the federal and state partners is that of extended UI benefits. The maximum duration of benefits in all but two states is 26 weeks, or half a year.[31] The

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[30]Federal-state tension over UI administrative funding led in 1954 to the Reed Act, which provides that when the reserves in the federal UI administration, loan, and extended benefits account exceed a certain threshold level, the excess be returned to the states. States may use Reed Act money to finance either regular UI benefits or administrative costs. In recent years, the federal government has avoided Reed Act distributions to conserve federal money. The proposed legislation would guarantee grants to states if UI benefit reserves were sufficient and if the money was used to fund UI administration.

[31]In Massachusetts and Washington, the maximum duration is 30 weeks.

Extended Unemployment Compensation Act of 1970 created a permanent program for extended UI benefits when unemployment rates exceeded certain preset trigger levels. The state and federal governments equally share the cost of paying benefits extended by 50 percent of the state duration up to 13 weeks under this permanent program. It has been a model of cooperation.

Payment of income support to out-of-work job seekers is coordinated in a variety of ways with other programs. Foremost perhaps are arrangements to assure free mobility of job seekers across state borders by making arrangements for interstate UI benefit claims. Interstate agreements forged with federal support permit any state where a claim is filed to act as an agent for another state when the majority of base period income was earned in that other state. The agent state determines eligibility, disqualifications, and the amount and duration of benefits based on rules in the state where the majority of base period wages were earned. The 1970 amendments to the federal UI statutes further clarified the way in which earnings from more than one state are combined to determine entitlement and to attribute liability to the benefit charge experience of prior employers.

In addition to regular state UI benefits and extended benefits, there are federal UI benefit programs for previous federal employees of military and government agencies. Like interstate claims, states act as agents for the federal government in administering these programs. Federal guidelines also direct states on how to coordinate

UI with other programs, including temporary disability insurance, workers compensation, public old age insurance, and private pensions.[32]

The strongest link between UI and another program is via the work test that is administered in many states by the public employment service (ES). That is, in order to retain UI eligibility, beneficiaries must demonstrate an active job search which in many states requires registration with and use of ES services. The 1935 federal statues required state UI claims to be filed in public ES offices, the implicit idea was to emphasize reemployment. Federal legislation establishing the Worker Profiling and Reemployment Services system in 1993 strengthened the UI-ES link, a relationship that should continue to grow as ES offices transform to serve a central role as one-stop career centers under the Workforce Investment Act of 1998.[33] The UI link to reemployment through retraining is permitted by state commissioner job search waivers granted to beneficiaries referred to approved training programs. Work search exemption is also granted to beneficiaries permitted to pursue self-employment under UI laws in seven states authorized by

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[32]Corson (1997) provides an examination of UI interactions with other federal and state programs.

[33]A thorough examination of the UI-ES relationship is given by Balducchi, Johnson, and Gritz (1997).

provisions of the federal North American Free Trade Act (NAFTA) of 1993.[34]

During the Great Depression, the federal-state UI system paved the constitutional path for federal involvement in state employment policy at a time when states feared handicapping competitive possibilities for resident employers by imposing taxes. Economic theorists like Hoyt (1996) have shown that the structure of federal-state relations (1) induces higher UI tax rates in states with more labor force members, (2) causes a positive relationship between taxes in neighboring states, and (3) has bigger spillover UI tax effects from larger neighboring states.

Weaver (1996) has asserted that interstate competition for jobs has resulted in states trying to provide minimal UI protection while often shunting low-wage workers toward public assistance programs, which receive sizeable federal funding supplements. He has labeled this phenomenon as a "race to the bottom." Bassi and McMurrer (1998) estimate that such interstate competition has resulted in a federal-state program only about two-thirds the size it would be otherwise. Independent empirical work by Vroman (1998) has challenged this startling estimate, but the question remains an

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[34]Vroman (1997) reports on activities of the seven states using UI to promote self-employment. Originally temporary authority was granted by federal law, but the self-employment provisions were made permanent in 1998. It is likely more states will soon adopt such provisions.

open one. Furthermore, while federal influence over the UI system shows no imminent signs of waning, authority for other social programs is increasingly being turned over to the states. The empirical questions about the nature of decentralized state dominated UI system could be answered by experience in the near future.

Training

Public works programs during the Great Depression included some on-the-job training, but focused federally funded job skill training policy in the United States began with the Manpower Development Training Act (MDTA) of 1962. Public acceptance of the depression era New Deal programs grew out of widespread hardship experienced from job loss during the 1930s. Renewed training efforts thirty years later were greatly influenced by the political struggles fought during President Johnson's War on Poverty.

In the 1960s, with the civil rights movement gaining momentum and the public assistance welfare roles expanding, the unemployed became a focal point. Women workers, blacks, and the young all continued to experience high unemployment rates despite continuing improvements in the economy. The Johnson administration's War on Poverty was targeted toward racial minorities and youth. A major objective of the resulting legislation was to help the most disadvantaged achieve employability and secure jobs with

a living wage. Some lacked work experience, and many had multiple barriers to steady employment. The belief was that the major employment problem of the disadvantaged was their lack of marketable job skills. Consequently it was agreed that the federal government needed to provide a full range of services for the poor including remedial education, occupational skill training, work experience, and counseling.

Under the MDTA, training was viewed as an anti-poverty program, and the federal government took a centralized and categorical approach to eradicating poverty. Funding from the federal government was targeted to specific groups. Funds were available on a formula basis to communities based on population and estimates of the proportion below the poverty income level. The federal government managed funding through 12 regional offices, each of which supervised activity in four to six states. Oftentimes, competing agencies within localities bid against each other for federal funding by submitting separate proposals to regional offices for review, this despite preestablished criteria which included ensuring a "geographically equitable" distribution of the available funds. Congress and the President determined the total amount of funds available through their annual budget negotiations.

The federal effort during the 1960s developed into a piecemeal approach, which reflected the belief that there were divergent needs among the individual groups who were the expected

beneficiaries of the myriad of policies. In addition, the political reality resulted in the spreading of functions among many different departments and agencies in the federal government. Each department involved in the distribution received directives from a different piece of legislation. The grants did not interrelate with one another and often were a duplication of effort. The need for coordination at the highest levels became painfully obvious.

During the 1960s, it was not unusual to find communities having similar programs located within a few city blocks of one another targeting services to technically distinct but frequently overlapping groups. For example, a neighborhood center providing services to assist black youth in obtaining employment and a public school providing employment services to minority youth, could easily overlap and duplicate efforts. The more-ingenious clients were often able to receive similar services from more than one agency.

Since cost has always been a primary concern in service delivery, such duplication and waste was an easy target for critics of government involvement in employment policy. Advocates for more assistance argued that unemployment has a long-term cost not only in foregone production for society but in personal hardship that cannot be easily measured. A common view among program operators was that the federal government promoted solutions but failed to provide sufficient funding to truly address the problems. More pronounced in the 1960s was recognition at the local level that

there were gross inefficiencies due to the categorical nature of programs and the centralized control by the federal government.

The 1970s brought a more comprehensive approach to addressing the problems of the economically disadvantaged. The bureaucratic buzz words "decategorize" and "decentralize" became the theme of the decade. Decentralization meant the transfer of authority from federal to state and local government. Authority given was defined in the legislation and regulations, it often included the responsibility for designing, implementing and to some extent, evaluating program activities. Decategorization meant that federal appropriations were no longer earmarked for specific programs; a local determination could be made after analyzing the needs of the disadvantaged population.

In addition, the Comprehensive Employment and Training Act (CETA) of 1973 introduced the concept of a local advisory board to assure that local public interest would guide program planning. The council membership and role were established in the regulations, and in some localities representation was "guaranteed" for constituencies like education and labor. As it turned out, advisory councils evolved differently across the country. Some were merely "rubber stamps," while others had a significant role that included on-site monitoring and local policy development. The worst case scenarios occurred when council members took advantage of their position to provide funding to preferred organizations.

The arrival of the Reagan administration in 1981 led to a "conservative challenge" on the principles, policies and programs of the liberal tradition of federal activism in economic and social affairs as it evolved in the half of the century starting with the new deal."[35] The major objective of legislation at this time was to increase earnings and employment as well as decrease welfare dependency. The classroom skill training being provided was identified as a major weakness of these programs since, it was often not the kind of training desired by local employers. For example, critics cited the training of welders in areas where there were job openings for welders. Historically, the type of training was determined by the client and was not always in occupational areas that had high demand and a career ladder in the local market.

The Job Training Partnership Act (JTPA) of 1982 recommended limiting training choices to skills that were in demand by local employers. JTPA also increased the private sector share of members on the advisory committees to ensure that their interests were taken into consideration. By 1982, CETA-type public service employment programs were considered taboo because they were expensive and the media had extensively documented instances of fraud and abuse. More important to shaping employment policy were the large and growing federal budget and foreign trade deficits.

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[35]Palmer (1983, p. 9).

These concerns created a policy environment ripe for a conservative swing.

It was the involvement of the private sector that promised to make a major difference in the lives of the poor by providing access to jobs that existed in local areas. While there have been many employers who have hired clients from the program, most individuals on these boards either have a personal commitment to helping the poor or their company considers it a corporate responsibility to volunteer. Seldom did advisory board members themselves recruit employees from among those enrolled in the program.

The natural evolution of programs seemed to call for a range of services and programs based on individual needs. Careful assessment and a holistic, family-centered case management approach were the logical next steps, particularly if complemented by what we had learned about locally designed programs, driven by the local labor market and supported by the local private sector. However, economic conditions of the mid 1990s had improved to the point where full employment existed in most of the United States.

The more than 30 years of searching for ways to reduce poverty through employment policy has evolved into a new approach that shifts responsibility from government to the individual, and divests authority from the federal government to the states. It exchanges an emphasis on skill training that will lead a family out of

poverty for an emphasis on job placement that will quickly reduce the cost of public assistance payment.

On August 22, 1996 President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act, which reformed the nation's welfare laws. A new system of block grants from the federal government to the states named Temporary Assistance for Needy Families (TANF) was created, changing the nature and provision of welfare benefits in America. These block grants were given with many fewer restrictions on state use. The fundamental requirement is for states to have most recipients working within two years of first receiving TANF benefits. States are largely free to choose the means to this end.

The Workforce Investment Act (WIA), signed into law on August 7, 1998, includes many of the political characteristics that are in the Personal Responsibility and Work Opportunity Reconciliation Act. Regulations have not yet been written for implementation of the WIA, but early indications are that these two pieces of legislation will be very complimentary. A significant difference may be that the WIA is built around the business-led Workforce Development Boards. In addition to business leaders, leaders from labor, education and community organizations sit on these boards that each cover an area encompassing 500,000 people (smaller areas can be approved by states). Workforce Development Boards will establish one-stop

career centers that provide "core services" regardless of income or employment status of individuals seeking employment.

As was the case for previous employment policy legislation, the Personal Responsibility and Work Opportunity Act and the Workforce Investment Act were compromise legislation. This time the political mood was that entitlement programs were not working, taxes were too high, and with low unemployment, many believed that anyone who really wanted to work could find a job. In addition, a certain morality slipped into the preamble of the Personal Responsibility and Work Opportunity Act, indicating a bias toward marriage, families, and the interests of children.

Funds under WIA are allocated to states, with governors enjoying much more discretion than they had in prior legislation. This is the devolution of the federal role. Although a more direct relationship between taxpayers and tax-supported programs has not yet materialized, many believe that the shift to the states presages an eventual shift to local government. Taxpayers may soon have the opportunity to decide program funding at the local ballot box.

Thirty-seven states enacted welfare reform programs before the federal Temporary Assistance to Needy Families program was approved. In fact, currently, all but four states have *work-based welfare*. This is a shift from the skill development approach of previous programs to a "work first" approach that makes quick job placement the top priority. This transformation to a work-based

system assumes that the best training is a job and that suitable jobs paying sufficient wages are available.

Not unlike earlier policy-makers, many current legislators apparently believe that it is only a matter of getting the right match in the labor market. The opinion that a good match and work place experience will result in stable employment has little support from employment policy practitioners. Recent research suggests that low-wage jobs with few fringe benefits and no career path tend to have high turnover.[36]

Greater coordination between federal programs is also the intent of the new legislation. Unfortunately, the federal government has not taken the critical step of incorporating related programs under a single administration with common definitions and common reporting requirements. At the sub-state levels, a reduction in funding and the anticipated problems that will result when clients begin exhausting their time limits has resulted in a new urgency for collaboration. There have been movements toward "one-stop centers" where clients can get access to a comprehensive list of services. These efforts are usually comprised of "self-help"with and minimal intervention. Establishing "one-stop centers" as the access point for employment and training services is mandated in the WIA.

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[36]See for example Pavetti (1993), who estimated that nationally over 40 percent of such job placements cycle back onto public assistance.

Public job placement services, unemployment compensation, welfare-to-work assistance, vocational and rehabilitation services must all be available at least at one physical site in each Workforce Investment Area.

In a typical state-administered welfare-to-work program, the primary eligibility requirement is that participants are receiving Temporary Assistance to Needy Families (TANF). The components may vary between states or within states, but the desired outcome is clear: "work first" emphasizes work as the focus for all nearly all individuals receiving public assistance.[37]

All new applicants for public assistance and all current recipients are assessed to determine if any of the exempt classifications apply; if not, the individual is referred to a Work First service provider. Once referred to Work First, the individual must participate in work and/or job seeking activities for at least 25 hours a week until they stop receiving benefits. Failure to participate in job-seeking activity or work is grounds for reduction or loss of public assistance payments.

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[37]Temporary exemption may be granted for medical reasons (up to 30 days), pregnancy (after 6 months), or to provide care to an infant less than three months old; long-term disabilities are granted a temporary work exemption while the disability is evaluated by Social Security Administration for long-term disability insurance benefits. Longer-term exemptions include Social Security Insurance, Social Security Disability Insurance, and State Disability Insurance; in all these cases, a physical or mental disability must have been diagnosed.

Once eligibility is satisfied, regulations establish the activities that are allowable. These activities are:

1. **Unsubsidized Employment** - This is the ultimate goal of all activities and it is encouraged from the beginning, since it is believed by some that the sooner it is accomplished, the lower the cost.
2. **Subsidized Private-Sector Employment** - The individual is an employee of a private-sector employer.
3. **Subsidized Public-Sector Employment** - The individual is an employee of a public-sector employer. The wages are supported by grant funds.
4. **Work Experience Program** - An unpaid training assignment for individuals who lack previous employment experience and/or job readiness and who are, therefore, difficult to place in unsubsidized employment. The goal of work experience is to improve skills, attitudes, and general employability of these individuals.
5. **On-the-Job Training** - The individual is an employee of the employer and training is conducted on the job. Reimbursement of the extraordinary training cost is provided

to the employer with grant funds. The employee is expected to retain employment with the employer.

6. **Job Search and Job Readiness Assistance** - Activities that help participants become familiar with general workplace expectations and learn behavior and attitudes necessary to compete successfully in the labor market. Job search includes job clubs, counseling, and job-seeking skills training.

6. **Community Service Program** - Community Service Programs are projects which serve a useful purpose for the community or the public interest in fields such as health, education, urban and rural development, welfare, recreation, public facilities, public safety, and other purposes identified by the state. The Community Service Program must comply with the minimum wage requirements and other laws related to employment.

7. **Post-Employment Training (Vocational Education)** - Post-employment training is defined as an occupational training component that may combine classroom, laboratory, and other related activities and which is directly related to a specific occupational field or specific job.

8. **Job Skills Training** - This is a classroom activity for recipients who have a specific barrier to employment opportunities resulting from an identified need for skill training. The skills being taught must be in demand by local employers; examples are, English as a second language, remedial education, and basic math. This is only for recipients who have received a high school diploma or equivalency. Example: English as a second language, remedial education, basic math.

9. **Education directly related to employment** - This is a classroom activity (a non-occupational training activity) for recipients who have received a high school diploma.

Programs for Youth

Vocational Education. The federal government has supported vocational education in grades kindergarten (K) through 12 since passage of the Smith-Hughes Act of 1917. This act has been re-authorized by the federal government about every five years. Federal spending in support of K-12 vocational education currently runs about $1 billion per year.

Over the years, the federal role has alternately been either to encourage program development or to promote equity. Current

policy is more focused on equity; that is, providing access to vocational education for youth from low-income, minority, or otherwise disadvantaged households.

States and local school districts pay the major share of vocational education costs. Historically, localities determine the content of curriculum for all types of K-12 education, and vocational education is no different. Local school boards are accountable for curriculum. For a district to receive a federal vocational education grant, there must be an employer advisory board. Most states require a similar arrangement to grant funding.

Technical Preparation. Re-authorization of the Vocational Education Act during the mid-1980s created a new curriculum called *tech prep*. The idea was to have an analogue to the traditional secondary course of study referred to as *college prep*. The tech prep period is the final two years in a vocational secondary school, designed to bolster a student's academic skills. This would prepare a student to pursue a two-year associate's degree in a technical field at community junior college. This standard tech prep model is sometimes called "2 + 2". Some localities have extended the model to "2 + 2 + 2" wherein an additional two years is spent at a university to complete a bachelor's degree, most likely in a technical field such as engineering.

Obviously the tech prep programs require close cooperation between local school districts and post-secondary institutions (like

community colleges), which are often administered by the state. Funding is provided to local school districts by the federal government through the states.

School-to-work. The federal School-to-work Opportunities Act of 1994 directed new services to all secondary school students, not just those enrolled in vocational programs. The initial authorization provided five years of funding to states and local school districts. Activities permitted under the program include (1) school-based activities, (2) work-based activities, and (3) activities connecting school with work. The act aims to develop collaboration between educators and employers which will benefit all students in grades K through 12. Particular activities include mentoring, internships, part-time volunteer employment, and part-time paid work.

Federal funding for school-to-work (STW) is seen as seed money to promote development of state and local initiatives. Five-year grants to each state range between $10 million and $50 million, depending on the state population and geographic size. Disbursement of the money follows an inverted V pattern. Small amounts are given in years 1 and 5; somewhat higher amounts are given in years 2 and 4; the largest yearly allocation is given in year 3. The rationale for this scheme is as follows: year 1 involves mostly state planning with some initial local involvement; year 2, the state is operational and some localities are more advanced than others; year 3, all partners are

fully operational; year 4, the program is being institutionalized and the state seeks out new partners for funding; finally, in year 5, the state is almost completely weaned from federal support.

To date, 47 states have received federal funding under the program. In 1994, the first year of program operation, a total of eight states received federal funding. Many of these states are currently trying to identify alternate funding sources to substitute for federal money. Among the eight first-wave states, Michigan has done by far the most. Michigan has pledged to support STW with the same level of funding as that devoted to vocational education.

Employment Service

Ever since the UI system was established by the Social Security Act of 1935, there has been a close relationship between UI and the United States Employment Service (ES). The systems are closely linked through ES administration of the UI work test (Balducchi, Johnson, and Gritz, 1997). The work test in UI is the requirement that UI beneficiaries be actively seeking work.

The ES in the United States is a federal-state system of public employment offices that serve as a free public labor exchange for individuals seeking jobs and employers seeking workers. The ES was established by the Wagner-Peyser Act of 1933. Federal money raised through employer payroll taxes was used to transform an uneven

collection of existing state ES offices in local areas into a unified system having more consistent operating procedures nationwide. The first aim of the new ES was to handle the workload of referring participants to depression-era public works projects, the Works Projects Administration (WPA) and the Civilian Conservation Corps (CCC).

The act was amended in 1982 to give more authority over the ES to state governors. There are now almost 1,800 local ES offices in 54 states and territories of the United States Federal funding for the ES has declined by nearly one-third over the past 20 years. In most states, federal funding still comprises the bulk of money for operating local offices; in others, state funding is the biggest share. Through the Wagner-Peyser funding, the federal government bought influence into the state employment exchange system. The mission of the ES is bring job seekers and employers with job vacancies together. The main ES activities to meet this aim are the UI work test, job interview referral, counseling, skill and aptitude testing, job development (soliciting job vacancy listings from employers), job clubs, job search skills, job search workshops, and job fairs. Wagner-Peyser Act labor exchange services are delivered in three tiers: (1) self-service, (2) facilitated self-service, and (3) staff-assisted service. With continued federal restraint on funding, the ES, in an attempt to maintain service within a limited budget has developed America's Job

Bank (AJB), which is an Internet-based job-matching system to serve workers and employers (http://www.ajb.dni.us/).

As the labor market in the United States matured, the share of all job seekers and employers served by the ES gradually shrank to the point where clients consisted mainly of those most hard to place in jobs (Jacobson, 1995). A major renewal of the ES is now underway as a consequence of the 1994 Worker Profiling and Reemployment Services (WPRS) system and the new Workforce Investment Act (WIA) of 1998. The ES is being reinvigorated by the WPRS system, which refers to ES services those UI beneficiaries who are most likely to exhaust UI (Eberts and O'Leary, 1997). WPRS referrals to the ES are made early in the unemployment spell. Some commentators have claimed that the WPRS was motivated by the federal government's desire for a balanced budget and have noted the possible effects WPRS would have on conserving UI trust funds.

The main complaint of states about the WPRS is that it was an unfunded mandate of the federal government for the states: it added to the ES workload burden without adding revenues to the system. The WIA offers the prospect of further revival of the ES through the concept of one-stop-shopping available at a single physical location. The local ES office is an appealing site for such a one-stop in most communities. Furthermore, recent federal legislation for the WIA proposed by the executive branch (the U.S. Department of Labor and the Office of the President) recommends a

sizeable increase in federal funding for all states and territories where the ES operates.

Factors Influencing the Geographic Mobility of Labor

There are no legal restrictions on the mobility of citizens in the United States to choose the state or territory in which they reside. Also, as mentioned above, the federal government has arranged for states to coordinate services to provide for interstate unemployment insurance benefit claims. In theory such arrangements help to shorten unemployment duration by increasing the number of labor markets in which unemployed job seekers may reasonably search. However, in practice there are other legal restrictions which prevent the completely free flow of skilled workers across state borders. Occupational regulation affects more than 18 percent of the U.S. workforce, a larger percentage than either unions that claim membership (under 15 percent of the labor force) or minimum wage laws, which on any given day determine wage rates for only about 5 percent of workers (Kleiner, 1990; Card and Krueger, 1995, pp. 5-6).[38]

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[38]Much of the material on occupational regulation in this paper is drawn from a research overview and plan prepared by Kleiner and Young (1998).

Unlike in most industrialized countries, where the national government sets the rules on entry and the right to continue practice, occupational regulation in the U.S. is mainly a purview of the states. Occupations may be regulated by any combination of licensure, certification, or registration. Among these, licensing is the most restrictive form of control. Prior to 1950, states licensed no more than 50 occupations, which amounted to about 3 percent of the labor force. (Shimbert, Esser, and Kruger, 1973) The growth in state licensing has mushroomed since then. Licencing was limited mainly to lawyers, dentists, physicians, and accountants in the first half of the twentieth century. Licensed occupations remain concentrated in service occupations such as architecture, child care, chiropractic, cosmetology, counseling, nursing, optometry, pharmacy, real estate brokerage, and social work. The Council on Licensure, Enforcement and Regulation (CLEAR 1994, p. iii) reports that "state and provincial agencies oversee more than 800 professional and occupational categories. In the United States 25 professions are regulated in all 50 states. A like number is regulated by almost all states; the greatest percentage is regulated by fewer than half." Sub-state political divisions regulate several other occupations.

The stated aim of occupational and professional regulation is to guarantee minimum standards are met by all licensed, certified, and registered practitioners so as to protect the health, welfare, and safety of the populace (CLEAR 1994, p. iii). Since the majority of

occupational regulation in the United States is done at the state level, the system also has the effect of impeding the free mobility of labor services across state borders. Some states grant licenses to practitioners licensed in certain occupations in certain other states. Such reciprocity arrangements vary by state and occupation. They are sometimes based on the notion of common regional custom and respect for neighbors, and sometimes are structured in hierarchical way with states sometimes endorsing licenses granted in states having more stringent standards. Frequently, an experienced licensed professional will be permitted to practice in another state on a short-term temporary project. Particularly appealing states and those with high densities in certain occupations, such as Hawaii and California, have strong restrictions on granting licenses to practitioners in other states. Oftentimes states share common standards for the right to sit for license examinations, such as academic training and work experience requirements. As a practical matter, license exams are difficult to pass several years after academic training has been completed. Considering all the occupational restrictions taken together, state-regulated credential systems are significant barriers to the free flow of labor services within the United States.

V. Effects of Employment Programs

The Employment Act of 1946 made full employment and price stability official policy goals of the federal government of the United States. The intervening years have witnessed a variety of federal initiatives to promote employment. Nearly all of these efforts have been influenced by the ideologies from the full political spectrum. One common feature of most employment programs has been provisions for program evaluation to identify whether funded activities are sufficiently cost effective. This is particularly true for training programs, but evaluation research has also greatly shaped the evolution of unemployment insurance (UI) and youth employment programs.

Effects of Unemployment Insurance

The federal-state unemployment insurance system acts as a built in stabilizer for the national economy. It injects spending through unemployed workers' consumer purchases when the economy is contracting, with the injections being reduced as the economy, expands and unemployment declines. As shown in Table 4, UI benefits constitute a non-negligible portion of total spending in the economy with the total value hovering between one-quarter and three-quarters of one percent of the nation's gross domestic product

since program inception. However, Burtless (1991, p. 38) has argued that "changes in the system over the past decade have eroded the value of unemployment insurance both as income protection for the unemployed and as an automatic stabilizer." Bassi and McMurrer (1998) attribute declining recipiency in recent years to be a consequence of interstate competition for business location. Wheaton (1983, p. 85) estimated that UI taxes are the second most important factor influencing business location, but Vroman (1998) failed to find significant impacts on employer decisions about the choice of state for operations.

Experience rating of UI tax contributions is a feature unique to the United States.[39] A claimed benefit of experience rating is to encourage employers to dampen fluctuations in staffing levels. Since tax obligations rise for a firm as benefit charges increase, perfect experience rating would tend to stabilize staffing, perhaps in part by lowing hiring rates. However, because of tax minimums, maximums, non-charged benefits, and other factors the systems do not operate perfectly (Tannenwald and O'Leary, 1997). Benefit charges for some employers are subsidized, and this partly defeats employment stabilizing effects. Feldstein (1978) estimated that a large share of temporary layoffs are due to imperfect experience rating of UI taxes.

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[39]Other nations are seriously considering some form of experience rating for UI taxes. These nations include the Netherlands, Poland, and Spain.

Topel (1984) found that even when experience rating does operate properly there is in fact a substantial stabilizing influence on employment. Card and Levine (1994) found that the stabilizing influence of experience rating changes pro-cyclically, with associated UI tax subsidies explaining as much as 50 percent of temporary layoff employment during recessions.

Since the work of Ehrenberg and Oaxaca (1976) it has been generally accepted in the United States that UI lengthens spells of insured unemployment beyond what they would be otherwise. Decker (1997) documented the range of estimates UI has on reemployment. He reported that a 10 percent increase in the rate at which UI benefits replace prior wages increases the duration of unemployment by between 0.5 and 1.5 weeks, and a one-week increase in the potential duration of benefits increases unemployment duration by between 0.1 and 0.5 weeks. While these negative impact estimates are not disputable, it is also possible that prolonged job search improves the quality of job matches which ultimately boosts worker productivity.

Effects of Training

The Manpower Development Training Act (MDTA) of 1962 was the first federal attempt to help reemploy displaced workers through job skill retraining. The main concern was job loss due to

technological change (Leigh, 1990). Between September 1962 and September 1967, 601,000 people were enrolled in retraining programs organized by local areas which received federal grants directly from regional offices of the U.S. Department of Labor. At the time of the major evaluation, 74,000 were still involved in retraining programs and 30 percent had dropped out of training. Among the remainder, 90 percent obtained reemployment during the year after training, and 77 percent were employed at the time of the last follow-up survey (Mangum 1968, p. 8). These gross outcome estimates are not reliable indicators of the program's net impacts. That is, how does participant's success differ from otherwise similar nonparticipants? Many claim that positive outcomes were attributable to the booming 1960s economy fueled by Vietnam war spending. State and local political entities were uncomfortable at having authority circumvented under MDTA with federal contracts going directly to local service providers. When enacted in 1962, another feature which welded the political compromise was its temporary status. Had sunset provisions not ended MDTA, in 1969, states and localities would certainly have influenced the administrative structure of any reauthorization.

The Comprehensive Employment and Training Act (CETA) of 1973 was the first training program for which the U.S. Department of Labor developed a data base specifically intended for program evaluation (Leigh 1990, p. 10). It was called the Continuous

Longitudinal Manpower Survey (CLMS) and contained data on program participants, data on comparison group members drawn from the national labor force survey (Current Population Survey), and earnings data for all subjects from national social insurance (Social Security) records. Despite the fact that CETA programs were targeted to low-income individuals while the labor force survey represented the nation, evaluation studies were greatly facilitated. Three main findings emerged from 11 major CETA evaluations (Leigh 1990, p. 11). First, there were no measurable employment or earnings impacts for men; however, impacts for women were positive and significant. Second, on-the-job training is usually more effective than classroom training. Finally, the range of impact estimates was quite wide, despite the fact that all analysts used the same CLMS data. However, it was journalists rather than economists who brought an end to CETA. The pubic service employment (PSE) component of CETA became a national target for criticism when careless management of funds and enrollment of program ineligibles were widely reported. The associated problem of "fiscal substitution," where by local government agencies replaced regular staff with CETA PSE workers in order to conserve local taxpayer money, was estimated by Johnson and Tomola (1977) to increase with the maturity of the program. Problems in CETA PSE increased dramatically after funding for PSE was greatly expanded in 1977 as part of an expansionary federal fiscal policy. The CETA program

was not renewed in 1982, its scheduled expiration date (Leigh 1990, p. 7). Even though states gained a role in administration of CETA vis-a-vis MDTA, in the end no states were advocates for continued authorization of CETA.

The Job Training Partnership Act (JTPA) of 1982 was the result of true ideological and partisan compromise. The bill was jointly sponsored by the liberal Democratic Senator Edward Kennedy and the conservative Republican Senator Daniel Quayle. Many features of the bill reflected the compromise. Evaluation was an integral part of the program, which was said to be performance-driven through a system of performance standards for participant reemployment rates and earnings. Also of note was the absence of anything remotely resembling PSE. The performance standards system allowed governors receiving federal JTPA training grants to structure incentive systems, thereby simplifying relationships with substate areas. Ostensibly, they were able to remove politics from the funding process. Governors reserved some allocations for incentive rewards paid to areas achieving high levels of performance. The performance monitoring system changed training program management and intergovernmental relations. It also complicated the net impact evaluation of programs by introducing the risk of

creaming in program assignment.[40] That is, program managers might select mainly the most able applicants for participation. The result would be high observed reemployment rates; however, many of the selected program participants may already possess the skills and abilities to get reemployed themselves. By comparing their success to all unemployed, the positive impact on reemployment is high, but comparing their success to others with similar characteristics the program impacts may be much smaller.[41] To assure an objective net impact evaluation, Congress authorized a major national evaluation of JTPA based on methods of field experimentation, with random assignment of subjects both to training and to comparison groups in 16 sites across the country. Orr et al. (1995, p. 109) reported that training to economically disadvantaged adults resulted in 11 percent greater earnings for women and 6.7 percent greater earnings for men. For both genders, the earnings gains were mainly due to increases in hours worked. There were positive net benefits to both men and

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[40]The analogy is to milk, where the richest part, the cream, floats to the top and can be skimmed off. Creaming is an issue in operating labor market programs because if only the most able people get reemployment assistance, then the benefit to society of the programs is not as great as it might be otherwise. Highly qualified program entrants have a good chance of becoming reemployed even without the services offered in the program, while for less-qualified applicants, the program services might be the only realistic path to employment.

[41]An evaluation of retraining in Hungary found evidence of creaming in referral to services (O'Leary, 1997).

women, and the net benefit to society for both genders was just over $500 per participant (Orr et al.1995, p. 89).

The Workforce Investment Act (WIA) of 1998 created one-stop-shopping centers for reemployment services. Full implementation of the WIA through administrative regulations is scheduled to begin in July of 2000. It will be some time before the effectiveness of the new program emphasis and delivery system can be assessed. A significant feature of the WIA for local areas is the increased private sector control over use of training funds. Workforce Development Boards (WDBs) are to have a significant majority membership from the employer community. Targeting to the most difficult to reemploy and follow-up monitoring of outcomes were retained from JTPA. The new emphasis of the WIA is on "work first"; in other words, a job is the best training. If jobs are not available, training will mostly be customized to serve employers needs, on-the-job training, and short-term training in core skills. Spending on university or college courses for the purpose of completing degree requirements will generally not be funded under the WIA. WIA will pass funds from the federal government to state governors by a formula. The governor will then allocate money to the WDBs by a formula but will reserve 30 percent for discretionary projects and incentive payments to areas for outstanding performance. The administrative units for WDBs will select WIA activities based on local labor demand and will award contracts after a bidding

process. Under the WIA, the administrative unit for the WDB is prohibited from bidding for or delivering services under the WIA. The state will monitor performance in workforce investment areas, and states will prepare summary reports on monitoring to the federal government. The regional ETA offices will monitor state performance and compliance with federal law in managing WIA activities.

Effects of Programs for Youth

In the United States between 20 and 35 percent of secondary (grades 9 to 12) students pursue a vocational track for their studies. Evaluation studies have found that secondary vocational education yields generally improved labor market outcomes for girls relative to girls not in the vocational track; for boys, improved labor market success accrues only when employment is related to the area of vocational training.

To date there has been no evaluation of federally funded technical preparation programs for youth. The federal government is currently considering instituting a system of performance monitoring to encourage positive outcomes for tech prep programs.

It is too early to examine long-term net impacts of school-to-work (STW) programs, and evaluations of short-term impacts have yielded mixed results. Mathematica Policy Research, which is

conducting a national evaluation, has identified many excellent programs around the country; however, STW services are not reaching as many students as planned. Currently there is a well-financed conservative political group working hard against STW. They argue that there is too much federal control and that career development does not belong in the schools. The anti-STW lobby has been very successful despite polls that show an overwhelming majority of parents believe that STW is good and that career development belongs in schools. The Republican-dominated Congress is bowing to lobby pressure and has indicated that federal funding will be allowed to end in 2001.

Effects of the Employment Service

The two main roles of the ES are to provide basic labor exchange services and to administer the UI work test. The only labor exchange function to receive rigorous evaluation is job interview referrals, which have been found to be cost effective by several studies (Balducchi, Johnson, and Gritz, 1997). There are wide-ranging differences across the states in both the rules for the UI work test and in the stringency of enforcement (Johnson et al., 1983). Evidence from experimental evaluations of the work test have found that "strong work test requirements are effective in reducing UI

payments and that weak work search and work test policies have large and adverse consequences for the UI trust fund."[42]

States submit quarterly statistical reports to the U.S. Department of Labor, Employment and Training Administration, covering activities provided by the state administered public ES programs. State reporting is a condition of federal Wagner-Peyser grants for the ES.[43] A new system for monitoring performance of ES delivery was developed by the Federal-State Labor Exchange Performance Measures workgroup and set in place in 1998 (U.S. Congress, 1998). Compliance was required of the states by the federal government so that the United States ES could conform with the Government Performance and Results Act (GPRA) of 1993. GPRA was enacted "to improve the confidence of the American people in the capability of the Federal Government, by systematically holding Federal agencies accountable for achieving program results" (U.S. Congress 1998, p. 32564). Initial measurements under this new

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[42]Balducchi, Johnson, and Gritz (1997), citing evidence from Corson, Long, and Nicholson (1984) and Johnson and Klepinger (1994).

[43]The Wagner-Peyser Act requires that "each state receiving funds under this Act shall (1) make such reports concerning its operations and expenditures in such form and containing such information as shall be prescribed by the Secretary [of Labor], and (2) establish and maintain a management system in accordance with guidelines established by the Secretary." (U.S. Congress 1998, p. 32564).

system are only now being taken. Results have not yet been published.

Effects of Factors Influencing the Geographic Mobility of Labor

For policy-makers interested in promoting flexible labor markets that foster the most efficient use of human resources in the economy, systems which permit the free flow of labor among geographically separated labor markets are preferred to systems which hinder efficient job matching. The federal-state system for unemployment insurance (UI) in the United States has developed interstate UI benefit arrangements which support the free flow of labor.

The UI system has also been the context for an experimental evaluation of worker geographic mobility. Cash relocation assistance was part of a treatment in the New Jersey UI reemployment experiment conducted in 1985-86. "The potential relocation assistance consisted of two components: (1) payments for out-of-area job search if job interviews were prearranged and (2) payments for moving expenses."[44] For employment prospects at least 50 miles away, job search expenses up to $400 and relocation costs of up to $1,000 were paid. However, as found in earlier studies, the use of

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[44]Corson et al. (1989 p. 118).

available relocation assistance was minimal.[45] The participation rate was less than 1 percent among those offered assistance. Therefore, while the UI system accommodates those with a desire to relocate across state borders, it is unlikely that any new federal legislation will permit additional cash payments beyond UI weekly benefits to support relocation.

Many years ago, Friedman and Kuznets (1945) found that occupational regulation of physicians by states drives up prices paid by consumers and has a potentially negative impact on the quality of services. Most recent research on occupational regulation has been consistent with these findings (Kleiner and Young, 1998). For physicians, Leffler (1978) found sizeable income gains due to regulated training and licensure. Rottenberg (1980) reported that television repair prices are higher in states requiring licensure. Bond et al. (1980) found eye exam and eyeglass prescriptions to be significantly more expensive in cities with restrictive laws regulating optometrists. However, licensure appears not to have had measurable affects on earnings of either school teachers (Kleiner and Petree, 1988) or laboratory technologists (White, 1978), and licensing has not affected the supply of barbers (Thornton and Weintraub, 1979). Most research has found no effect of licensure on the quality of outputs;

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[45]See studies by Kulik, Smith, and Stromsdorfer (1984) and by Corson et al. (1984).

these studies include Carrol and Gaston (1981) on electricians, dentists, and plumbers; Kleiner and Petree (1988) on teachers, and Kleiner and Kudrle (1997) on dentists. Holen (1978) did find evidence that licensure improves the quality of dental care.

Kleiner, Gay, and Greene (1982) investigated whether occupational licensing creates significant barriers to labor migration. They attempted to compare migration under the current arrangement of state occupational licensure with one wherein a license granted in any state entitles practice in all states. The alternative is equivalent to national licensure as practiced in most developed industrialized countries. Their model estimated for 14 occupations showed "that more restrictive state licencing statues reduced immigration [to a state] and were significantly related to increases in earnings of the persons in these occupations." (Kleiner, Gay, and Greene 1982, p. 383.)

Occupational licensure, certification, and registration affects more than 18 percent of the U.S. workforce. Since the majority of occupational regulation in the United States is done at the state level, the system has the effect of impeding the free mobility of labor services across state borders.

VI. Conclusion

Labor market support policy in the United States has been

shaped by efforts of the federal government. These initiatives usually have been forged in difficult economic times with contributions and compromise from the full political spectrum. States have oftentimes independently considered labor market support programs, but usually have failed to act for fear of competitively disadvantaging resident industries. Constitutional authority to raise revenue and control commerce among the states permitted a federal umbrella for the establishment and maintenance of a variety of labor market support programs which are now delivered in states and local areas. The interplay of federal, state, and local partners in labor market policy has resulted in a system which varies greatly at the local and state level but maintains important federal standards nationwide.

The first federal employment laws supporting the labor market were enacted with consensus across party lines during the desperate days of the Great Depression. In 1933, the U.S. Employment Service was established through federal funding, which introduced vigor and consistency to existing loose state and local structures. In 1935, the Social Security Act established the federal-state system for unemployment insurance (UI) through a clever tax offset scheme which proved to be a legal federal lever for state action. In 1962, the federal Manpower Development and Training Act established the first of four major retraining initiatives targeted to the disadvantaged and structurally unemployed. Other federal initiatives have supported state and local programs to promote labor market

success for youth. In each and every case, economic conditions built a political consensus for action; with independent state efforts insufficient, federal intervention provided for state and local delivery of services which could be customized to local needs.

Intergovernmental relations among federal, state, and local partners in employment policy have not always operated smooth and amicably. Tensions, experience, and compromise also contributed to the existing employment policy landscape. Federal budget considerations in the 1980s greatly influenced many aspects of the federal-state UI system. Local and state experience with training and youth programs and federal political sentiments toward cash public assistance payments have reshaped rules and incentives in these programs. In many real ways the states have been laboratories for investigating program innovation; this too has shaped programs.

As programs have evolved through the twentieth century, a network of labor market support has been established through federal initiative. Without leadership from the federal partner, such a support system for workers and employers would likely not exist. However, without the creativity, occasional resistance, and ingenuity of the states and local partners, the system could not possibly have achieved the same rich level of adaptation to the diverse needs of labor market participants.

Appendix A

Excerpts from the Constitution for the United States of America

The following excerpts from the Constitution for the United States of America pertain to federal-state relations. Intergovernmental relations concerning labor and employment policy have been shaped by constitutional provisions regarding federal government authority to raise revenue and regulate commerce. Material in this appendix is taken from the World Wide Web site of the United States House of Representatives (www.house.gov).

Preamble

We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.

Article. I.

Section. 8.

Clause 1: The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defense and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States;

Clause 3: To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes;

Section. 9.

Clause 1: The Migration or Importation of such Persons as any of the States now existing shall think proper to admit, shall not be prohibited by the Congress prior to the Year one thousand eight hundred and eight, but a Tax or duty may be imposed on such Importation, not exceeding ten dollars for each Person.

Article. III.

Section. 1.

The judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish. The Judges, both of the supreme and inferior Courts, shall hold their Offices during good Behaviour, and shall, at stated Times, receive for their Services, a Compensation, which shall not be diminished during their Continuance in Office.

Section. 2.

Clause 1: The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority;--to all Cases affecting Ambassadors, other public Ministers and Consuls;--to all Cases of admiralty and maritime Jurisdiction;--to Controversies to which the United States shall be a Party;--to Controversies between two or more States;--between a State and Citizens of another State; (See Note 10)--between Citizens of different States, --between Citizens of the same State claiming Lands under Grants of different States, and between a State, or the Citizens thereof, and foreign States, Citizens or Subjects.

Historical Notes:

Prior to the adoption of the Federal Constitution, an Articles of Confederation, drafted by the Continental Congress and approved

by 13 states, provided for a union of the former British colonies. Even before Maryland became the last state to accede to the Articles in 1781, a number of Americans, particularly those involved in the prosecution of the Revolutionary War, recognized the inadequacies of the Articles as a national government. In the 1780s, these nationally minded Americans became increasingly disturbed by the Articles' failure to provide the central government with authority to raise revenue, regulate commerce, or enforce treaties.

The Delegates who convened at the Federal Convention on May 25, 1787, quickly rejected the idea of revising the Articles of Confederation and agreed to construct a new framework for a national government. Throughout the summer months at the Convention in Philadelphia, delegates from 12 states debated the proper form such a government should take, but few questioned the need to establish a more vigorous government to preside over the union of states. The 39 delegates who signed the Constitution on September 17, 1787, expected the new charter to provide a permanent guarantee of the political liberties achieved in the Revolution.

Amendments to the Constitution

Article XIII.

Section 1. Neither slavery nor involuntary servitude, except as a punishment for crime whereof the party shall have been duly convicted, shall exist within the United States, or any place subject to their jurisdiction.

Section 2. Congress shall have power to enforce this article by appropriate legislation.

Proposal and Ratification

The thirteenth amendment to the Constitution of the United States was proposed to the legislatures of the several states by the Thirty-eighth Congress, on the 31st day of January, 1865, and was

declared, in a proclamation of the Secretary of State, dated the 18th of December, 1865, to have been ratified by the legislatures of 27 of the 36 states.

Article XIV.

Section 1. All persons born or naturalized in the United States, and subject to the jurisdiction
thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

Section 5. The Congress shall have power to enforce, by appropriate legislation, the provisions of this article.

Proposal and Ratification
The fourteenth amendment to the Constitution of the United States was proposed to the legislatures of the several states by the Thirty-ninth Congress, on the 13th of June, 1866. It was declared, in a certificate of the Secretary of State dated July 28, 1868, to have been ratified by the legislatures of 28 of the 37 States.

Article XV.

Section 1. The right of citizens of the United States to vote shall not be denied or abridged by the
United States or by any State on account of race, color, or previous condition of servitude.

Section 2. The Congress shall have power to enforce this article by appropriate legislation.

Proposal and Ratification

The fifteenth amendment to the Constitution of the United States was proposed to the legislatures of the several states by the Fortieth Congress, on the 26th of February, 1869, and was declared, in a proclamation of the Secretary of State, dated March 30, 1870, to have been ratified by the legislatures of 29 of the 37 states.

Appendix B

A Chronology of Federal Laws Concerning Employment Policy

Chronology of Federal Laws concerning Employment Policy[46]

1862 The Morrill Act granted land from the federal government to the states to establish public institutions of higher learning.

1917 The Smith-Hughes Act prescribed a federal role for vocational education.

1931 The Davis-Bacon Act regulates the rate of wages for laborers and mechanics employed in the construction of public buildings for the federal government by contractors and subcontractors, where the public expenditure totals $2,000 or more.

1932 The Norris-LaGuardia Act further restricted judiciary power to prevent unions from engaging in strikes, picketing, and boycotts.

1933 The Wagner-Peyser Act established the federal-state Employment Service (ES) system.

1935 The Social Security Act (Titles III and IX) established the federal-state system for unemployment insurance (UI).

1935 The Wagner Act (also known as the National Labor Relations Act) further extended privileges of unions and created the National Labor Relations Board (NLRB) to administer and enforce provisions of the act.

1936 Walsh-Healy Public Contracts Act established employment standards for contractors furnishing or manufacturing materials, articles, or equipment for the U.S. government.

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[46]This list was compiled from information provided by Fallis (1991) and Jackson (1986).

1938 Fair Labor Standards Act set general standards for minimum wages, overtime compensation, equal pay, and child labor.

1946 The Employment Act set a national goal of providing an economic environment that would ensure job opportunities for a persons able, available, and actively seeking work. It also focused government funded job search assistance to returning World War II veterans and established the president's council of economic advisers.

1947 The Taft-Hartley Act, also called the Labor Management Relations Act (LMRA), refined the collective bargaining environment by somewhat limiting union rights and guaranteeing certain freedoms of speech and conduct to employers and to non-union employees.

1947 The Portal-to-Portal Pay Act relieved employers from unforseen liabilities.

1954 The Reed Act provided that when the reserves in the federal UI administration and loan accounts exceeds a certain threshold level, the excess be returned to the states. States may use Reed Act money to finance either regular UI benefits or administrative costs.

1958 The National Defense Education Act promoted higher education in science and engineering to boost the national defense in response to the Soviet Sputnik launch.

1962 The Manpower Development and Training Act originally targeted workers dislocated by technical innovation, the youth component was expanded in 1963, and targeting of structurally unemployed was increased in 1965.

1962 The Trade Expansion Act created Trade Adjustment Assistance (TAA). TAA was recompense to workers and business hurt by reductions in international trade barriers.

1962 The Contract Work Hours and Safety Standards Act was passed to supercede the collection of statutes that became law from 1892 to 1917, which together became known as the Eight Hour Laws. The new act regulated payment of

overtime wages for all laborers and mechanics employed on any public works project financed with government funds.

1963 The Equal Pay Act was designed to eliminate wage differentials based on gender.

1964 The Economic Opportunity Act set up the federal Office of Economic Opportunity to address poverty problems.

1965 McNamara-O'Hara Service Contract Act addresses wages and hours under contracts with the federal government to provide services.

1970 Extended Unemployment Compensation Act created a permanent program whereby the federal government would pay for extended unemployment compensation benefits in states and areas where the insured unemployment rate exceeded preset threshold levels.

1971 The Emergency Employment Act intended to create public service employment (PSE) jobs to combat record levels of unemployment.

1973 The Comprehensive Employment and Training Act (CETA) consolidated several programs under the Office of Economic Opportunity. CETA decentralized and decategorized management and funding following MDTA.

1982 The Job Training Partnership Act (JTPA) focused job skill training to needy, welfare recipients, dislocated workers, and youth. To retain contracts prime sponsors from CETA were required to add a tri-partite advisory board called a private industry council (PIC).

1993 The unemployment compensation amendments of 1993 (Public Law 103-152) revised extended benefit rules and required states to implement a system to identify UI claimants most likely to need job search assistance to avoid long-term unemployment. This system for identification became known as the Worker Profiling and Reemployment Services (WPRS) system. It strengthened the ties between UI and the public employment service.

1993 The North American Free Trade Agreement (NAFTA) Implementation Act (Public Law 103-182) gave states the option of continuing UC benefits for claimants who elect to start their own businesses. Authorization was set to expire in December 1998. Permanent authorization was granted by federal legislation in 1998 for states to provide self-employment assistance with UI trust fund money.

1998 The Workforce Investment Act (WIA) created physical one-stop-shopping centers for reemployment services and UI benefits. The PICs of JTPA were replaced with workforce development boards having a majority membership from the private business community. Delivery of training, with targeting to the most difficult to reemploy, and follow-up monitoring of outcomes were all retained from JTPA.

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Table 1. 1997 Employment Data: United States and States

	Unemployment Rate (%)				Labor Force Participation Rate (%)		
	Total	Black	Youth	Long-term (27 weeks or more)	Total	Male	Female
United States	4.9	10.0	16.0	15.8	67.1	77.0	60.5
Alabama	5.1	10.8	18.4	13.4	65.1	72.7	58.1
Alaska	7.9	7.6	20.9	13.5	74.2	80.4	67.9
Arizona	4.6	8.7	14.4	9.3	63.8	72.6	55.3
Arkansas	5.3	13.7	18.9	13.4	63.1	69.9	56.9
California	6.3	11.8	20.6	19.1	66.2	75.2	57.6
Colorado	3.3	6.9	14.1	9.0	72.8	78.8	66.8
Connecticut	5.1	10.6	14.9	16.8	68.3	73.9	63.2
Delaware	4.0	6.7	15.1	19.2	67.3	72.2	62.8
District of Columbia	7.9	11.4	42.4	30.7	61.8	66.5	57.8
Florida	4.8	9.4	13.9	12.0	62.3	69.8	55.4
Georgia	4.5	8.3	17.3	12.4	69.3	77.9	61.6
Hawaii	6.4	NA	19.0	23.9	67.8	72.8	63.4
Idaho	5.3	NA	13.3	7.7	70.6	77.8	63.3
Illinois	4.7	11.6	14.1	16.5	68.5	77.0	60.7
Indiana	3.5	9.7	10.7	8.5	69.3	78.0	61.2
Iowa	3.3	NA	12.7	NA	72.7	78.6	67.2
Kansas	3.8	NA	13.5	11.6	70.5	77.6	63.9
Kentucky	5.4	8.8	18.4	13.4	63.9	70.7	57.7
Louisiana	6.1	11.5	19.5	19.4	62.1	69.5	55.5
Maine	5.4	NA	15.0	20.0	67.8	73.5	62.3
Maryland	5.1	10.0	18.5	19.3	71.3	77.0	66.0
Massachusetts	4.0	10.0	12.6	16.1	69.0	75.5	62.9
Michigan	4.2	8.6	11.9	12.7	66.8	74.6	59.6
Minnesota	3.3	NA	10.4	13.1	74.5	81.1	67.9
Mississippi	5.7	11.4	18.8	17.6	62.0	68.7	55.9
Missouri	4.2	9.3	16.1	15.3	70.9	77.4	65.0
Montana	5.4	NA	17.3	14.0	67.3	72.8	61.9
Nebraska	2.6	NA	9.3	NA	73.3	80.8	66.3
Nevada	4.1	8.5	9.2	11.2	69.5	77.1	61.9
New Hampshire	3.1	NA	11.5	NA	71.8	79.0	64.9
New Jersey	5.1	9.4	15.0	19.8	67.7	76.7	59.7
New Mexico	6.2	NA	22.4	14.6	63.6	70.9	56.5
New York	6.4	13.4	21.3	26.3	63.1	71.8	55.5
North Carolina	3.6	6.8	12.8	12.6	68.6	75.8	61.9
North Dakota	2.5	NA	7.1	NA	72.6	78.4	67.0
Ohio	4.6	8.3	15.8	15.0	66.8	74.0	60.2
Oklahoma	4.1	8.8	14.2	12.7	64.2	73.2	56.2
Oregon	5.8	NA	17.2	8.5	68.6	76.4	60.9

Table 1. continued

	Unemployment Rate (%)				Labor Force Participation Rate (%)		
	Total	Black	Youth	Long-term (27 weeks or more)	Total	Male	Female
Rhode Island	5.3	11.0	13.3	13.8	67.0	74.3	60.6
South Carolina	4.5	8.8	18.7	15.6	66.6	74.7	59.6
South Dakota	3.1	NA	8.3	NA	71.4	77.9	65.4
Tennessee	5.4	8.5	18.0	10.8	65.1	71.7	59.1
Texas	5.4	9.1	21.0	13.7	68.9	78.3	60.1
Utah	3.1	NA	9.2	NA	71.7	81.5	62.5
Vermont	4.0	NA	13.4	10.9	71.6	77.0	66.6
Virginia	4.0	8.7	11.4	13.9	66.8	73.5	60.7
Washington	4.8	NA	15.8	9.6	70.2	78.4	62.1
West Virginia	6.9	22.4	27.3	22.0	55.5	64.1	47.8
Wisconsin	3.7	15.7	10.6	8.0	74.7	79.8	69.7
Wyoming	5.1	NA	18.1	10.2	69.0	76.2	62.0

Sources:

U.S. Data. U.S. Department of Labor, Bureau of Labor Statistics. Labor Force Statistics from the Current Population Survey [Online]. Available: http//stats.bls.gove.80/cpshome.htm [1999, January 29].

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Note: NA = data not available.

Table 2. Historical Employment Data: United States

	Unemployment Rate (%)				Total Labor Force Participation Rate (%)			
Year	Total	Black	Youth	Long-term (27 weeks or more)	Total	Male	Female	Civilian Labor Force (In thousands)
1998	4.5	8.9	14.6	14.1	67.1	76.8	60.4	137,673
1997	4.9	10.0	16.0	15.8	67.1	77.0	60.5	136,297
1996	5.4	10.5	16.7	17.4	66.8	76.8	59.9	133,943
1995	5.6	10.4	17.3	17.3	66.6	76.7	59.4	132,304
1994	6.1	11.5	17.6	20.3	66.6	76.8	59.3	131,056
1993	6.9	13.0	19.0	20.1	66.3	77.3	58.5	129,200
1992	7.5	14.2	20.1	20.3	66.4	77.7	58.5	128,105
1991	6.8	12.5	18.7	12.9	66.2	77.7	57.9	126,346
1990	5.6	11.4	15.5	10.0	66.5	78.2	58.0	125,840
1989	5.3	11.4	15.0	9.9	66.5	78.1	57.7	123,869
1988	5.5	11.7	15.3	12.1	65.9	77.9	56.8	121,669
1987	6.2	13.0	16.9	14.0	65.6	78.0	56.2	119,865
1986	7.0	14.5	18.3	14.4	65.3	78.1	55.5	117,834
1985	7.2	15.1	18.6	15.4	64.8	78.1	54.7	115,461
1984	7.5	15.9	18.9	19.1	64.4	78.3	53.7	113,544
1983	9.6	19.5	22.4	23.9	64.0	78.5	53.1	111,550
1982	9.7	18.9	23.2	16.6	64.0	78.7	52.7	110,204
1981	7.6	15.6	19.6	14.0	63.9	79.0	52.1	108,670
1980	7.1	14.3	17.8	10.7	63.8	79.4	51.3	106,940
1979	5.8	12.3	16.1	8.7	63.7	79.8	50.6	104,962
1978	6.1	12.8	16.4	10.5	63.2	79.8	49.6	102,251
1977	7.1	14.0	17.8	14.7	62.3	79.7	48.1	99,009
1976	7.7	14.0	19.0	18.2	61.6	79.8	47.0	96,158
1975	8.5	14.8	19.9	15.2	61.2	80.3	46.0	93,775
1974	5.6	10.5	16.0	7.4	61.3	81.0	45.3	91,949
1973	4.9	9.4	14.5	7.9	60.8	81.3	44.4	89,429
1972	5.6	10.4	16.2	11.6	60.4	81.6	43.7	87,034
1971	5.9	NA	16.9	10.4	60.2	82.1	43.3	84,382
1970	4.9	NA	15.3	5.8	60.4	82.6	43.3	82,771
1969	3.5	NA	12.2	4.7	60.1	82.8	42.7	80,734
1968	3.6	NA	12.7	5.5	59.6	83.1	41.6	78,737
1967	3.8	NA	12.9	5.9	59.6	83.4	41.1	77,347
1966	3.8	NA	12.8	8.3	59.2	83.6	40.1	75,770
1965	4.5	NA	14.8	10.4	58.9	83.9	39.4	74,455
1964	5.2	NA	16.2	12.7	58.7	84.2	38.9	73,091
1963	5.7	NA	17.2	13.6	58.7	84.4	38.3	71,833
1962	5.5	NA	14.7	15.0	58.8	84.8	37.8	70,614
1961	6.7	NA	16.8	17.1	59.3	85.7	38.0	70,459
1960	5.5	NA	14.7	11.8	59.4	86.0	37.6	69,628
1959	5.5	NA	14.6	15.3	59.3	86.3	37.1	68,369
1958	6.8	NA	15.9	14.5	59.5	86.6	36.9	67,639

Table 2. continued

	Unemployment Rate (%)				Total Labor Force Participation Rate (%)			
Year	Total	Black	Youth	Long-term (27 weeks or more)	Total	Male	Female	Civilian Labor Force (In thousands)
1957	4.3	NA	11.6	8.4	59.6	86.9	36.5	66,929
1955	4.4	NA	11.0	11.8	59.3	87.6	35.4	65,023
1954	5.5	NA	12.6	9.0	58.8	87.8	34.2	63,643
1953	2.9	NA	7.6	4.3	58.9	88.0	33.9	63,015
1952	3.0	NA	8.5	4.5	59.0	88.3	34.1	62,138
1951	3.3	NA	8.2	6.7	59.2	88.2	34.0	62,017
1950	5.3	NA	12.2	10.9	59.2	88.4	33.3	62,208
1949	5.9	NA	13.4	7.0	58.9	88.5	32.3	61,286
1948	3.8	NA	9.2	5.1	58.8	88.6	31.8	60,621
1947	3.9	NA	NA	NA	58.3	NA	NA	59,350

Source: U.S. Department of Labor, Bureau of Labor Statistics. Labor Force Statistics from the Current Population Survey [Online].
Available: http://stats.bls.gov:80/cpshome.htm [1999, January 29].

Table 3. 1997 Unemployment Insurance Data: United States and States

	Average Weekly Benefit Amount for UI ($) (1)	Ratio of Average Weekly Benefit Amount for UI to Average Weekly Total Wage (2)	Duration of UI (weeks)		Percentage of:			
			Average Potential (3)	Average Actual (4)	Unemployed Receiving UI Benefits (5)	Population receiving social assistance, 1996 (6)	Population below the Poverty Line (7)	Wage & Salary Workers who are Union members (8)
United States	192.76	0.335	23.9	14.6	34.5	7.2	13.3	14.1
Alabama	144.67	0.294	24.2	10.2	27.4	6.3	15.7	10.2
Alaska	175.76	0.282	20.5	14.7	48.4	7.2	8.8	20.0
Arizona	146.52	0.279	23.4	14.0	208	5.6	17.2	7.0
Arkansas	198.24	0.449	23.8	12.1	44.1	6.1	19.7	5.9
California	151.85	0.239	24.9	16.5	38.4	11.5	16.6	16.0
Colorado	212-73	0.372	22.7	12.3	27.0	4.1	8.2	9.6
Connecticut	211.37	0.284	26.0	15.4	38.6	6.4	8.6	16.9
Delaware	193.70	0.314	25.5	15.6	40.8	4.8	9.6	11.7
D.C.	233.48	0.287	25.6	20.2	40.8	16.8	21.8	13.6
Florida	191.94	0.381	20.3	13.8	23.5	6.3	14.3	6.8
Georgia	162.47	0.292	21.2	9.3	20.9	7.5	14.5	7.1
Hawaii	268.83	0.506	26.0	17.0	35.3	7.3	13.9	26.3
Idaho	187.20	0.411	20.4	11.9	37.3	3.4	14.7	8.5
Illinois	217.41	0.344	26.0	16.9	40.1	7.8	11.2	18.5
Indian.	185.90	0.352	20.6	11.2	28.8	4.1	8.8	14.6
Iowa.	205.03	0.433	22.6	11.8	37.3	4.6	9.6	13.2
Kansas	204.41	0.427	22.8	13.5	27.0	4.1	9.7	7.8
Kentucky	175.91	0.361	26.0	11.4	26.0	8.9	15.9	12.2
Louisiana	132.61	0.271	26.0	15.0	19.1	9.6	16.3	7.0
Maine	151.75	0.322	19.7	16.7	35.7	6.8	10.1	13.5
Maryland	195.93	0.332	26.0	15.7	26.6	5.7	8.4	14.9
Massachusetts	26L85	0.384	27.6	16.3	48.4	6.6	12.2	15.1
Michigan	221.75	0.352	21.6	11.8	42.6	7.6	10.3	23.1
Minnesota	242.00	0.418	23:3	14.6	39.5	5.1	9.6	19.9
Mississippi	14L24	0.330	23.5	13.5	27-3	10.0	16.7	5.4
Missouri	154.21	0.292	22.3	I27	33.5	6.5	11.8	14.6
Montana	166.09	0.404	20.9	14.2	36.2	5.2	15.6	13.8
Nebraska	16L81	0.348	2LI	11.9	29.8	3.7	9.8	9.3
Nevada	203.88	0.372	23.2	13.5	48-5	3.7	11.0	19.1
New Hampshire	165.26	0.295	26.0	10.8	24.1	3.0	9.1	10.2
New Jersey	258.50	0.360	23.2	16.6	44.7	5.4	9.3	22.0
New Mexico	158.00	0.343	25.8	15.8	23.3	8.6	21.2	8.4
New York	203.78	0.275	26.0	18.2	33.5	9.9	16.5	26.3

Table 3. continued

	Average Weekly Benefit Amount for UI ($) (1)	Ratio of Average Weekly Benefit Amount for UI to Average Weekly Total Wage (2)	Duration of UI (weeks)		Percentage of:			
			Average Potential (3)	Average Actual (4)	Unemployed Receiving UI Benefits (5)	Population receiving social assistance, 1996 (6)	Population below the Poverty Line (7)	Wage & Salary Workers who are Union members (8)
North Carolina	198.27	0.389	23.7	9.7	34.4	6.5	11.4	3.8
North Dakota	176.11	0.422	20.9	10.6	46.7	3.6	13.6	8.6
Ohio	207.99	0.375	25.6	13.3	28.9	7.2	11.0	18.9
Oklahoma	176.78	0.387	21.4	12.9	18.9	5.5	13.7	8.4
Oregon	198.14	0.366	25.1	14.7	40.8	4.2	11.6	17.6
Pennsylvania	227.50	0.395	25.9	16.0	47.1	6-8	11.2	17.1
South Carolina	168.62	0.354	23.1	11.3	29.1	6.2	13.1	3.7
South Dakota	155.68	0.382	24.8	10.6	20.0	4.1	16.5	6.9
Tennessee	163.31	0.317	21.9	11.6	29.5	8.3	14.3	8.6
Texas	195.87	0.346	21.0	15.1	21.6	5.7	16.7	6.4
Utah	193.08	0.396	20.9	11.2	26.6	3.0	8.9	8.3
Vermont	173.52	0.358	26.0	14.2	51.1	6.5	9.3	8.5
Virginia	179.20	0.325	21.5	10.2	18.3	4.4	12.7	6.5
Washington	239.82	0.410	26.0	16.8	51.3	6.7	9.2	20.5
West Virginia	180.20	0.387	26.0	13.8	30.6	9.1	16.4	15.6
Wisconsin	188.47	0.360	24.7	13.6	48.8	5.1	8.2	18.8
Wyoming	181.80	0.410	21.7	14.0	26.3	3.9	13.5	9.3

(5) Taxable and reimbursable claims data (average number of weekly insured unemployed) as proportion of the total number of unemployed. In the 1950s an unemployment insurance program for ex-military and ex-federal employees began. The taxable and reimbursable claims data does not include ex-military and ex-federal employees, while the total number of unemployed does include these ex-workers.

(6) Total AFDC (average monthly number of recipients) plus SSI state data (number of persons receiving federally administered payments) as a proportion of total resident population.

Sources:

(1-5) U.S. Department of Labor. *Unemployment Insurance Financial Data*, ET Handbook 394,. 1997.

(5) U.S. Department of Labor, Bureau of Labor Statistics. State and Regional Unemployment, 1998 Annual Averages (news release) [Online]. Available: http://stats.bls.gov/newsrels.htm [1999, February 10]

(6) U.S. Administration for Children and Families, Office of Planning, Research and Evaluation. AFDC time trends [Online].Available: http://www.acf.dhhs.gov/programs/opre/director.htm [1999 February 8].

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(7) U.S. Bureau of the Census. Historical Poverty Tables [Online]. Available: http://www.census.gov/hhes/poverty/histpov/hstpov19.html [1999, February 2].

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Table 4. Historical Unemployment Insurance Data: United States

Year	Average Weekly Benefit Amount for UI ($) (1)	Ratio Average Weekly Benefit Amount for UI to Average Weekly Total Wage (2)	Duration of UI (weeks)		Percentage of:				UI Spending as a Fraction of GDP (9)	Spending on All Labor Market Policy as a Fraction of GDP (10)
			Average Potential (3)	Average Actual (4)	Unemployed Receiving UI Benefits (5)	Population Receiving Social Assistance (6)	Population below the Poverty Line (7)	Wage & Salary Workers who are Union Members (8)		
1997	192.76	0.335	23.9	14.6	34.5	NA	13.3	14.1	0.26	0.35
1996	189.45	0.345	24.0	14.9	35.9	7.19	13.7	14.5	0.30	0.40
1995	187.29	0.355	24.0	14.7	34.8	7.61	13.8	14.9	0.31	0.42
1994	182.17	0.357	23.7	15.5	33.4	7.80	14.5	15.5	0.35	0.47
1993	179.62	0.360	23.9	15.9	30.8	7.72	15.1	15.8	0.54	0.66
1992	173.64	0.354	23.7	16.2	33.8	7.44	14.8	15.8	0.65	0.77
1991	169.88	0.364	23.9	15.4	38.7	6.94	14.2	16.1	0.46	0.58
1990	161.56	0.360	24.1	13.4	35.8	6.44	13.5	16.1	0.32	0.44
1989	151.73	0.354	24.2	13.2	33.1	6.21	12.8	16.4	0.27	0.39
1988	144.97	0.349	24.1	13.7	31.0	6.21	13.0	16.8	0.27	0.39
1987	140.55	0.355	23.7	14.6	31.0	6.29	13.4	17.0	0.32	0.44
1986	135.65	0.358	23.9	14.5	32.1	NA	13.6	17.5	0.39	0.53
1985	128.14	0.353	24.1	14.2	31.5	NA	14.0	18.0	0.39	0.52
1984	123.47	0.372	23.7	17.5	29.0	NA	15.2	18.8	0.42	0.56
1983	123.59	0.355	24.1	14.4	31.7	NA	14.4	20.1	0.76	0.94
1982	119.34	0.377	24.3	15.9	38.0	NA	15.0	NA	0.79	0.98
1981	106.61	0.359	24.2	14.4	36.8	NA	14.0	21.4	0.54	0.86
1980	99.66	0.366	24.3	14.9	43.9	NA	13.0	23.0	0.68	1.08
1979	89.68	0.360	24.2	13.1	39.5	NA	11.7	24.1	0.39	0.84
1978	83.67	0.364	24.5	13.3	38.0	NA	11.4	23.0	0.43	0.94

Table 4. Continued

Year	Average Weekly Benefit Amount for UI ($) (1)	Ratio Average Weekly Benefit Amount for UI to Average Weekly Total Wage (2)	Duration of UI (weeks)		Percentage of:				UI Spending as a Fraction of GDP (9)	Spending on All Labor Market Policy as a Fraction of GDP (10)
			Average Potential (3)	Average Actual (4)	Unemployed Receiving UI Benefits (5)	Population Receiving Social Assistance (6)	Population below the Poverty Line (7)	Wage & Salary Workers who are Union Members (8)		
1977	78.79	0.364	24.1	14.2	37.9	NA	11.6	23.8	0.67	1.04
1976	75.16	0.371	24.0	14.9	40.4	NA	11.8	22.1	0.95	1.33
1975	70.23	0.371	24.3	15.7	50.1	NA	12.3	22.2	1.17	1.44
1974	64.34	0.366	2.4	12.6	43.8	NA	11.2	23.6	0.49	0.71
1973	59.00	0.361	24.3	13.4	37.3	NA	11.1	24.0	0.35	0.62
1972	56.68	0.367	24.3	14.2	37.9	NA	11.9	NA	0.51	0.77
1971	54.35	0.364	24.5	14.4	43.2	NA	12.5	NA	0.56	0.76
1970	50.31	0.357	24.6	12.3	44.1	NA	12.6	NA	0.41	0.58
1969	46.17	0.344	24.4	11.4	38.9	NA	12.1	NA	0.24	0.42
1968	43.43	0.343	24.3	11.6	39.4	NA	12.8	NA	0.25	0.44
1967	41.25	0.347	24.5	11.4	40.4	NA	14.2	NA	0.27	0.43
1966	39.76	0.347	24.2	11.2	36.9	NA	14.7	NA	0.25	0.39
1965	37.19	0.338	24.1	12.2	39.4	NA	17.3	NA	0.33	0.42
1964	35.96	0.338	24.2	13.0	42.3	NA	19.0	NA	0.42	0.47
1963	35.28	0.346	24.1	13.3	44.0	NA	19.5	NA	0.49	0.54
1962	34.56	0.349	23.9	13.1	45.5	NA	21.0	NA	0.53	0.58
1961	33.80	0.354	23.9	14.7	48.5	NA	21.9	NA	0.78	NA
1960	32.87	0.352	24.0	12.7	49.4	NA	22.2	NA	0.55	NA

Table 4. continued

Year	Average Weekly Benefit Amount for UI ($) (1)	Ratio Average Weekly Benefit Amount for UI to Average Weekly Total Wage (2)	Duration of UI (weeks)		Percentage of:				UI Spending as a Fraction of GDP (9)	Spending on All Labor Market Policy as a Fraction of GDP (10)
			Average Potential (3)	Average Actual (4)	Unemployed Receiving UI Benefits (5)	Population Receiving Social Assistance (6)	Population below the Poverty Line (7)	Wage & Salary Workers who are Union Members (8)		
1959	30.40	0.353	23.6	14.8	44.5	NA	22.4	NA	0.53	NA
1958	30.54	0.334	23.5	13.1	54.6	NA	NA	NA	0.88	NA
1957	28.17	0.335	23.4	11.5	50.6	NA	NA	NA	0.40	NA
1956	27.02	0.333	23.0	11.4	44.1	NA	NA	NA	0.34	NA
1955	25.04	0.321	22.7	12.4	44.0	NA	NA	NA	0.37	NA
1954	24.93	0.335	22.4	12.8	52.8	NA	NA	NA	0.56	NA
1953	23.58	0.323	22.1	10.1	54.2	NA	NA	NA	0.27	NA
1952	22.79	0.330	22.0	10.4	54.4	NA	NA	NA	0.29	NA
1951	21.09	0.322	21.4	10.1	7.2	NA	NA	NA	0.26	NA
1950	20.76	0.344	21.1	13.0	45.7	NA	NA	NA	0.50	NA
1949	20.48	0.360	21.4	11.8	54.3	NA	NA	NA	0.64	NA
1948	19.03	0.341	21.1	10.7	44.0	NA	NA	NA	0.31	NA
1947	17.83	0.346	19.5	11.1	43.6	NA	NA	NA	0.32	NA

Table 4. continued

Notes:

(5) Taxable and reimbursable claims data (average number of weekly insured unemployed) as a proportion of the total number of unemployed. In the 1950s an unemployment insurance program for ex-military and ex-federal employees began. The taxable and reimbursable claims data does not include ex-military and ex-federal employees, while the total number of unemployed does include these ex-workers.

(6) Total AFDC (average monthly number of recipients) plus SSI summary data (number of persons receiving federally administered payments) as a proportion of total resident population.

(9) Benefits paid in the unemployment insurance programs (includes all regular and extended programs, as well as programs for ex-federal and ex-military, temporary/emergency enactments) as a proportion of the GDP.

(10) Federal outlays for labor market policies include training and employment programs, other labor services, and unemployment compensation as a proportion of GDP.

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Table 5. A Chronology of Increasing Federal Conformity Requirements for State Unemployment Insurance Systems in the United States

Original conformity requirements set in 1935 were minimal, saying states must:

Make full payment of benefits when due
Make benefit payments through public employment offices
Have a fair appeals hearing process
Transfer tax receipts immediately to the Unemployment Trust Fund (UTF) in Washington
Use withdrawals from the state account in the UTF only to pay UI benefits
Make required reports to the U.S. Secretary of Labor
Provide information to any federal agency running public works or assistance
Not deny benefits to eligible individuals
Not pay benefits until 2 years after contributions start
Also deny benefits for refusal to fill a vacancy resulting from a labor strike
States may repeal their UI laws at their own discretion, and
Additional employer rate reductions must be based on experience rating.

Reasonable additional federal requirements were added in the 1940s and 1950s regarding:

Interstate claims rights
Rules for combining earnings from multiple employers to gain entitlement
Broadened coverage
Approved training participants are UI eligible
Denial of benefits to workers who are not legal residents with employment privileges

Table 5. continued

Also, states must participate in the Extended Benefits (EB) program.

Somewhat intrusive additional federal requirements since the 1950s:

Intervening work required for requalification
Denial to professional athletes
Benefit reduction for pension income

Restrictions motivated by a desire to conserve funds in the federal budget have been:

The Unified Budget Act of 1969
Federal eligibility requirements for extended benefits
Balanced Budget and Emergency Deficit Control Act of 1985
Profiling all new claimants for those most likely to exhaust benefits
Requiring states to make withholding of federal income tax possible for beneficiaries

Table 6. A Taxonomy of Training Types

Training for reemployment usually refers to short-term job skill training to increase readiness for local job vacancies. Skill training is intended to address unemployment which is due to a structural mismatch between job seekers and job vacancies.

Skill training

Provided in group setting is called **institutional** or **classroom** and may concern skills in general demand or it may be **customized** to fill the request for an employer with available job slots.

Alternatively, skill training may be chosen by the participant from courses available at established training or educational institutions (**vouchers**).

Skill training may also be provided in an experiential private sector workplace setting through on-the-job training (**OJT**).

When OJT is provided through a public agency, it is sometimes called **work experience.**

Remedial Training

General training which seeks to remedy basic gaps in reading and mathematics skills to make job seekers ready for skill training. This is often provided through local school districts with funding from federal, state, and local sources.

Classroom soft training

Provides knowledge about workplace behavior skills or job search skills.

Table 6. continued

Public Service Employment (PSE)

PSE was most recently available in the United States under the Comprehensive Employment and Training Act (CETA), 1973. It involves work experience on public services or works projects. It may provide some skill training, but the main aim is income transfer and arresting the deterioration of workplace behaviors due to prolonged unemployment.

Table 7. A Chronology of Training in the United States

Program	Training Types	Eligibility	Intergovernmental Relations
Manpower Development and Training Act (MDTA), 1962	Institutional and on-the-job training (OJT).	Low-income and welfare recipients.	Federal funding granted directly from 12 regional offices to agencies in local areas. Administration and reporting structures similar.
Comprehensive Employment and Training Act (CETA), 1973	On-the-job training, classroom skill training, classroom soft training, work experience in public agencies, and Public Service Employment (PSE)	Training was targeted to low-income persons, welfare recipients, and disadvantaged youth.	Federal funding flowed to prime sponsors in substate regions which numbered about 470. Performance monitoring with results reported to the U.S. Department of Labor (USDOL).
Job Training Partnership Act (JTPA), 1982	On-the-job training, classroom skill training, classroom soft training, and work experience in public agencies.	Low-income, public assistance recipients, dislocated workers, and disadvantaged youth.	Federal funding through state governors to private industry councils (PICs) in each of 600 service delivery areas. PIC performance reports to governors who reported to USDOL.
Workforce Investment Act (WIA), 1998	On-the-job training, customized classroom skill training, classroom soft training, and work experience in public agencies	Access to core services like job search skills and job referral is unrestricted. Training is targeted to the most difficult to reemploy.	Like JTPA, but PICs now workforce development boards with dominant private sector make-up. Monitoring is minimized

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